NATIONAL RETAIL CREDIT ASSOCIATION
FOUNDED 1912

What . . .

is the Most Important

Credit Problem

for 1955?

Pages 16-17

THE CREDIT WORLD

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Merchandise and Service Charge Accounts

Arthur E. Kaiser
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THE QUESTION of how merchandise and service charge accounts contribute to moving production and stabilizing employment is one that calls for the knowledge of an economist, and, as we all know, this is a profession known for divergence of opinion. Nevertheless, I reviewed a number of articles by economists and became rather tangled up in the discussions doing with (1) variations in the use of money; (2) the increased variations when consumer credit is employed; and (3) the effect of these variations on the velocity of money circulation. These articles seemed to point to the fact that credit, by itself, does not create any additional purchasing power except at the time it is expanding and wages are increasing, and that the reverse will be true when credit is contracting. This did not seem to develop a good case for moving production and stabilizing employment through the use of consumer credit. One point which was brought out was that consumption is increased through credit losses absorbed by businesses. At this point I decided I had better leave this phase of the discussion to those capable educators who are on your program.

Instead of giving a precise answer to this subject, I am going to tell you something about how merchandise and service charge accounts are developed, used, and administered, and their benefits to retailing and the consumer. Because of my connection with a department store, my remarks will largely deal with merchandise charge accounts. There are many varieties or types of merchandise charge accounts, the most common of which are:

1—*The Monthly Charge Account.* This is a running account which accumulates the purchases for a 30-day period and is payable in full upon the rendering of the bill each month. Although the policy of adding a service charge of one per cent on 90-day balances is growing, this is not a uniform practice.

ARTHUR E. KAISER delivered this address at the National Consumer Credit Conference held at the University of California, Los Angeles, California, October 7-8, 1954. More than 35 national and regional organizations concerned with various phases of consumer credit sponsored the Conference, including the National Retail Credit Association. During World War I, Mr. Kaiser was a Lieutenant in the Artillery. He has been a district manager for Ditto Inc., and divisional credit manager and, later, manager of operations, retail store division, Firestone Tire and Rubber Company of California. He has been Credit Manager of Bullock's for the past 21 years.

2—*The "3 Pay Account."* Each month's charges are payable one-third each succeeding month, and usually no service charge is made.

3—*The Revolving Charge Account.* Here the customer indicates how much she can pay each month and is given a credit limit of from six to twelve times the amount of her monthly payment. Bills are rendered monthly, a service charge of one per cent a month is collected on the unpaid balance, and as long as payments are made promptly goods may be purchased to the full amount of the credit limit.

4—*The Coupon or Scrip Account,* in which the store's "shopping money" is charged to the customer and the principal, plus a service charge, is payable over a period of months, usually six. The "shopping money" is used just like cash in making purchases.

5—*The Combination Revolving and Scrip Account* has only recently been introduced. The standard revolving account is difficult to keep within limits, whereas the scrip account gives a positive control, so the principles were combined.

6—*The Conditional Sale or Contract Account,* used for the purchase of furniture, appliances, fur coats, jewelry, etc. A title retention contract is used, a service charge is added and maximum maturities range upward to 24 months. And for some reason, which I am sure a banker would find it difficult to understand, the service charge is canceled if the contract is fully paid in 90 days! Each purchase is negotiated by separate contract so the total amount of credit involved can be carefully controlled.

7—*The Continuous Contract Account,* wherein the customer signs a Master Contract when opening the account and subsequent purchases are made a part of this contract by a clause in the salescheck. Payments are determined by the amount of the balance in the account created by purchases in accordance with a predetermined schedule. In substance the amount of the balance and the scheduled payment, rather than the nature of the commodity, determines the maximum maturity. A service charge of one per cent is added to each month's balance. For example, a customer makes purchases amounting to $400.00. The monthly payment would be $20.00. If, after having made 5 payments the balance is $320.00 (which includes the service charge to date), a purchase of $50.00 is made, the monthly payment would remain at $20.00, because the total debt would still be under $400.00. But if the purchase were $150.00 instead of $50.00 the payment would increase to $24.00 per month.

Have I sufficiently confused you by this time? Do you wonder why these various plans exist? Can you begin to see some of the complications in administration? Frankly, it causes some of us to wonder, once in a while. Some years ago Thomas R. Marshall said to the Senate, "What this country needs is a good five-cent cigar." I am inclined to change this saying to, "What retailing needs is *one* type of charge account which accomplishes what all of these various plans aim at." And maybe this will come to pass.

Of course, every merchant does not include every one of these accounts in his credit portfolio, but many have three types and quite a few have five or more. What is the reason for this? The answer is that they make it easier for the customer to buy.

William L. McGrath, president of the Williamson Heater Company of Cincinnati, Ohio, speaking before the International Labor Conference at Geneva, Switzerland, said, "In the United States the major share of our business and our employment is occupied with making things that people want, rather than what they actually have to have. We have learned that there is no limit to human desires, and that upon them can be built a limitless volume of production, jobs and payrolls. . . ." He also said, ". . . as we filled our basic needs and began to make the things that people wanted above their needs, we began to realize the benefits of operating under the free competitive system. Every day somebody invents something new or better that people want. Can it be sold? The answer is probably 'yes,' if you can get the price down. You can get the price down, if you can create enough demand that you can use the techniques of volume production." We have made great strides in solving the problem of mass production. Mass production requires mass distribution. Mass distribution requires mass sales. Mass sales require mass financing, and the merchandise charge account is an important cog in the wheel of mass financing.

Now I would like to take you on a visit to the Credit Office of a large department store: We meet the credit manager, who tells us his principal duties are the formulation of policies, coordination of credit facilities with sales promotion, development of methods to ensure fast and courteous service to customers, and general supervision. In normal times approximately 100 employes are assigned to this department.

The first point of interest is the reception lobby and interviewing offices. We find that anywhere from 150 to 600 customers will visit this office each day, the maximum traffic occurring during sale or Christmas seasons. The offices are well lighted and attractively furnished, with reasonable privacy for interviews. Friendliness and cheerfulness dominate the atmosphere, for it is realized that the Credit Office may afford the only contact customers will have with Management, and the impression created there will be a lasting one for good or for ill.

On the average, five to six thousand accounts or contracts are arranged in this office each month, and moderate accommodations which will enable the customer to charge her immediate wants are offered to every customer making a favorable impression and submitting what appears to be good information regarding employment, income and other references. This is known in the trade as "eyeball" credit.

As the data submitted in the interviewing office must next go through an investigating procedure, we step behind the scenes into the real "workshop." One thing which impresses us is the speed with which a record of a pending application is placed in the ledger file, and it is explained to us that frequently within three to five minutes after the customer leaves the credit office a salesperson calls and wants a charge OK'd.

We learn that this store inquires of the local Credit Bureau for its information in connection with every application for credit. This is contrary to the practice of some stores who inquire direct of the references given, but this particular store, by its own decision, does not subscribe to the direct-inquiry method for several reasons: (1) Customers do not always list all places where they have or have had charge accounts, and by checking only the references given either favorable or unfavorable information can be missed; (2) direct inquiries may place a burden on the references given because customers frequently apply for a number of charge accounts at various places at the same time, with the result that the reference must answer the same inquiry more than once; and (3) direct inquiries made of references invite direct inquiries from them and the cost of handling these inquiries is prohibitive when compared to answering inquiries received through a centralized agency.

The man in charge of this particular operation informs us that one of the hazards in the gathering of credit information, whether through a Credit Bureau or by direct inquiry, is the difficulty in obtaining complete information regarding the applicant's outstanding indebtedness. This is because the files at the Credit Bureau contain only the information supplied by their members or other references, and as not all lending agencies or merchants use the Credit Bureau for each one of their accounts, the data are not as complete as they might otherwise be. He expressed the hope that some way would be found to encourage greater usage of the Credit Bureau files by lending agencies and non-member retailers. In this particular section of the operation, all credit applications and information are reviewed and the application will be either accepted or rejected. If the application is accepted, the

customer is sent an identification token which has a very important usage, as we will see when we visit the authorizing unit.

The authorizing unit contains the ledger accounts and equipment for authorizing or approving individual transactions. The number of accounts is intriguing. We learn that there are somewhere in the neighborhood of 280,000 active 30-day charge accounts and 40,000 to 50,000 active instalment accounts housed in cabinets containing sliding trays which hold the ledger cards and the original credit application. We are also told that in addition to the active accounts there are between 75,000 and 100,000 semi-active accounts which have not been used for six months or more, and in addition there are more than 100,000 other names of accounts which have not been used for five years or more. The charge transactions run upward of 10,000 each day. During some sale days 60,000 to 70,000 transactions will be handled in one day, and during the Christmas season from 30,000 to 40,000 transactions a day is the rule.

The man in charge of the authorizing was rather envious when he learned that his visitors were representatives of lending institutions, for he had the impression that practically every transaction of a lending institution was subject to individual analysis before it was accepted, and that information regarding amounts outstanding and the date of payments was kept practically up to the minute. This is in contrast with the condition in the department store, because here there is a lag of four to six days between the time of the transaction and the recording of it in the ledger. Furthermore, the recording is accomplished by simply placing the charge ticket in the customer's account position next to the ledger card. If the existing balance is desired it is necessary to mentally add the filed transactions to the previous balance and deduct the record of payments. Then it is also explained that not every one of the tickets which were being filed had been approved before the merchandise was delivered. The reason for this may be obvious, but it will bear further explanation. The first essential is speedy customer service and conservation of the salesperson's time. Therefore, only transactions above a certain amount are called in over the telephone for approval. A higher amount is established for a transaction on which an identification token is used than for a transaction made without the token. These amounts are established through experience and continual study to determine the calculated-risk breaking point. The amounts are changed periodically and are varied between departments of the store so the pattern will not become known to unscrupulous individuals. Then again there is the item of credit department costs. The authorizing of every transaction would create a prohibitive cost burden.

Operations of the Authorizing Department

Let us take just another minute in the authorizing department. It is interesting to know that the girls working in this section file several hundred new accounts a day. They edit from 250 to 350 changes of address daily and they answer 200 to 300 inquiries from the Credit Bureau; in addition to authorizing charges they file all charge, payment, and credit tickets.

The billing department prepares a 30-day statement for one-fifth of the total accounts each day so that the work load of billing and handling payments is distributed over the month instead of causing a peak period. All of the charge and credit tickets are removed from the ledger file and, after they and the bill have been micro-filmed, are mailed to the customer. The totals of payments, other credits, new balances, and the overdue amount (if any) are posted to the ledger card as a by-product of the billing operation. A "flasher" (or signal card) is placed in front of each account showing an overdue amount, and all bills with a total balance of $200.00 or more are referred to the Collection Department before mailing.

As we visit the Collection Department, we learn that the $200.00 and over bills, as well as the "overdue" signals, play an important part in keeping accounts within bounds and maintaining a reasonable collection performance. Certain codes on the addressograph imprint on the bill, give leads as to which ones will bear closer inspection. These bills are carefully analyzed and are given special attention. All of the signaled accounts which are still unpaid are inspected 15 days after billing and notices are mailed at that time. A notice to go out with the next bill is placed in the file of these overdue accounts and is mailed with the next bill unless payment is received in the interval. In this manner, collection contacts are made every 15 days until the account is 90 days past due at which time special attention by personalized letter, phone and personal contact is employed.

Operations of the Collection Department

In the Collection Department we gather some interesting facts:

1—The national average for the amount of money collected each month from the outstandings at the beginning of the month are 45 per cent for 30-day accounts, and 14 per cent for instalment accounts. This store, however, adheres to the belief that if a customer has paid his bill, he is more able and willing to buy again, and so it sets for its goal a collection rate of 60 per cent for 30-day accounts and 18 per cent for instalment accounts, and the goal is met with acceptable regularity.

2—Seventy-six out of every 100 customers currently pay their bills on time, or so close to that as to be indistinguishable from a perfect record; 20 out of 100 will be somewhat slow from time to time (not always the same 20) due to such unforeseen events as death, serious illness, and the like, but they are not dishonest, and most of these pay their bills before the condition becomes alarming. Generally speaking, only four out of 100 turn into troublesome collection problems, with a lone one considered to be definitely undesirable.

3—In a survey made by the Credit Management Division of the National Retail Dry Goods Association, net bad debt losses to total net charge sales for the year 1953 were:

Volume	High %	Low %	Group Average %	Group Median %	Stores Reporting
Over $20 Million	.90	.06	.32	.25	14
$10-$20 Million	.81	.01 Cr.	.26	.26	12
$ 5-$10 Million	.63	.07	.24	.19	22
$ 2-$ 5 Million	.44	.00	.18	.14	17
$ 1-$ 2 Million	.56	.05	.30	.28	12

Based on the group averages, it appears that stores with a volume of between $2 and $5 million have the lowest losses, but this group has the largest operation expense. It is to be noted that these figures include losses from frauds and bad debts which could not be avoided because of the calculated risk taken in authorizing.

4—Nationally compiled figures reveal that an average of 57 per cent of department store business is done on a credit basis, and that the cost of operating the Credit Department (including bad debts) ranges from 2.04 per cent of charge sales in large stores to 2.33 per cent in small stores. Against total store sales this would measure about nine-tenths of one per cent.

Most economists agree that the business cycle moves upward when the consumer is buying and declines when the consumer stops buying. Therefore, our job as merchants is to keep the consumer buying.

Here is a trite but nevertheless true statement: "You and I, and 160 million other Americans, live in a credit economy." There can be little argument as to the correctness of this assertion. However, there are some economists, some businessmen, and perhaps even some few retail credit managers who do not completely realize how tremendously important credit is to the American way of life. They have not yet become fully accustomed to thinking of retail credit as a vital and essential force in our economy. Too often these people think primarily of retail credit as a special privilege, a service limited to the socially prominent or the wealthy minority, rather than the *right* of the vast majority. The fact is that credit is a sound and proper way of managing personal and family finances and leading to better and fuller living. Instalment buying has shed its social stigma. Instalment purchasers are not poor by any manner of means. They simply prefer budgeting their expenses and like to pay set amounts at set periods. That is the way they earn and that is the way they buy.

We are rightly proud of our American standard of living. It is the best in the world. More Americans enjoy more of the good things of life than do the people of any other country. Standing as we do on the eve of the atomic industrial age, it is conceivable that our spectacular production performance of the past will be dwarfed by the achievements of the future. Thus, we will have to get vastly increased amounts of goods into the hands of the consumers or choke ourselves to death with overproduction. The problem today, as it will be tomorrow, is to sell what we so easily and abundantly produce. Salesmanship and credit must go hand in hand in creating demand for goods and in providing the facilities whereby people can acquire those goods.

Salesmanship and credit are inseparable twins of modern commerce. Between the sales and credit departments there should be the greatest degree of cooperation and mutual understanding. They are truly partners in the total effort to maintain the velocity of our economy. Another word for salesmanship is temptation. People are tempted to buy by having ideas of desirability and necessity dramatically stressed—what the goods will do for them in personal satisfaction, social prestige, better living, and so on. Then, having been tempted to buy goods, generous credit factilities permit them to acquire immediate use of them while paying out of income.

The American way of life depends on selling more people more goods than they actually need and creating wants rather than satisfying needs. It might be called "luxury" civilization with the important distinction that the luxuries are not for only the tiny minority but for the vast majority. Actually at this particular time there is not only a desirability but a definite responsibility on merchants to increase their credit sales. It is highly important that demand for goods be stimulated. Increased demand means more selling. More selling means more production. More production means more employment. More employment means greater buying power. Greater buying power, in turn, means more production. This is a beneficial cycle and consumer credit facilities form the lubricant of this cycle. Sadly enough, the cycle can work in reverse, unless we continue to put maximum efforts into advertising and selling. Clearly, this is no time to let up on sales effort and no time to dry up the wellsprings of abundant consumer credit.

Through their efforts in advertising, promotions, efficient credit departments, invitations to customers to open charge accounts, and close relationships between the merchandising division and the credit division, department stores are moving vast quantities of merchandise through charge accounts. While we have no data available, it is our firm opinion that this mass use of consumer credit does have a stimulating influence on the velocity of money circulation and, therefore, contributes to labor stabilization and production movement. ★★★

Testing Collection Letter Effectiveness

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A CONTINUING PROBLEM facing the credit executive is whether his collection letters are doing the best job possible of bringing in payments. Probably there is no one charged with the responsibility for collections who does not wonder from time to time if his collections could be improved by some sort of change in techniques. Since the volume of credit sales has been greater than usual in recent years, the problem of collecting accounts has assumed even greater importance than before. The last Retail Credit Survey made by the Federal Reserve Board (1951) showed sales volume increasing in the types of stores included in this research. Charge sales were increasing faster in 1951 than either cash or installment sales. Charge sales represented 29 per cent of the total for department stores, 49 per cent for men's clothing stores, and 46 per cent for women's specialty stores. Accounts receivable increased in all three types of stores.

Obviously, not all these customers are going to pay their bills when they come due. The store must put forth an effort to collect. Of the many collection methods open to a retail store, the collection letter is one of the most widely used. Letters are relatively inexpensive and are effective enough that they will always be an important part of any collection system.

Much has been written on the subject of collection letters, and countless experts have set forth so-called "principles" for the most effective type of letter. However, statistical evidence as to the effectiveness of any particular kind of letter, or of the varying arguments for payment, has been lacking. The writer sent inquiries to most of the well-known authorities on credit and collections, and to virtually all the associations dealing with credit problems, and was able to find no valid evidence on collection effectiveness. Except for studies made on a small scale (usually with only one store's customers), no tests have been made on anything like a scientific basis to see what really works or does not work in collecting an account. Most credit men believe they know what kind of letter does the best job with their customers, but they have no statistical evidence to prove their point.

The writer carried on an extensive investigation in this area. He was not trying to disprove existing theories of collections but he wanted to obtain some scientific evidence to show what really is most effective in retail collections. Where there were opposing theories, he hoped to find out which was right.

In order to be able to handle the investigation satisfactorily, the writer had to limit his study to retail stores which sell "soft goods." Actually, the types of stores included were: department stores, women's specialty stores, and men's clothing stores. Installment accounts and sales of items which could be repossessed were not a part of the study. In other words, only the usual open-account customers (users of the 30-day charge account) were studied.

The problem of retail collections is complicated by the fact that the customer's good will must be retained, while the debt is being collected. Most authorities agree that this is important. If a debt is collected but future business is lost, the store may be worse off than before. It must look beyond the collection of an immediate account to the continuation of friendly relations and the possibility of a considerable volume of trade later. Also, there is the hope that a slow-paying customer may be converted to paying promptly. In any event, it must be recognized that most customers with overdue accounts are not deliberately dishonest. There are many reasons why an account is not paid when due and the debtor must be given the benefit of the doubt until it is proved that he is attempting to defraud the store.

Some 560 questionnaires were mailed to credit men and experts on letter writing, in order to get their ideas as to what should be studied and the procedure to be followed. Practically all respondents felt that the really successful collection letter was one which collected the account in full and, at the same time, strengthened the good will between customer and store. They admitted the difficulty of measuring good will, but stressed its importance. Other criteria for a successful letter were payment in full or payment in part. Even an explanation and promise to pay was considered an indication of partial success.

Scope of Study

The major study made by the writer consisted of the testing of nearly 5,000 retail collection letters, actually mailed to the customers of eight cooperating stores in Texas. Since the questionnaires received showed that most of the credit men agreed with Dr. Phelps and others that serious collection attempts are not made during the first 90 days or so of delinquency, the tests began with 90-day-old accounts. It is probable that stores can deal with this problem of the first 90 days more effectively than they do. Perhaps customers could be educated to realize that accounts are due in 30 days, rather than 60 or 90. The writer feels that this should be done. However, there seems to be a general feeling that only form notices of an impersonal nature should be sent during this period, with no attempt at making the delinquency seem serious. Therefore, my research was not concerned with the first 90 days.

Most of the tests made consisted of measuring the relative effectiveness of prepared form letters and personalized letters. The cooperating stores permitted the investigator to prepare and mail various collection letters to their charge customers and to keep track of the results.

It was found that reproduced form letters, usually with fill-ins, were universally used. For reasons of cost, volume of accounts, and the shortage and rapid turnover of help, the form letter seems inevitable. The writer considered testing such form letters against personally composed and dictated letters to suit each individual case. However, he soon found that the additional expense of such a procedure would not be justified. The only major differences in such letters would be references to the amount due and the past history of the account. These differences could easily be taken care of by typing each form letter individually, and changing a few words in so doing to fit the case. The ability to make such changes quickly and easily, and to insert personal references, is a big advantage of the typewritten form letter. Yet the basic content remains the same, so that the work can be done by a typist, and no dictation is necessary. In addition, such a letter looks like a personal letter. There is no problem of trying to match address and salutation with the rest of the letter, often with little success. The writer is convinced that the average customer likes to feel that the letter is written just to him, and is not a mass-produced form letter. Thus the "disguised" form letter is recommended.

For these reasons, the writer's tests were tests of an individually typewritten form letter against a reproduced form letter with fill-ins. The stores' existing series of letters were used as examples of reproduced form letters, and the test letters with which they were compared were composed and prepared by the writer. The store form letters were the all-too-common type, with stiff and rather formal wording, trite expressions, and little emphasis on the reader and his problems. The test letters, while also form letters, were individually typewritten so as to look more like personal letters, and they were more friendly and personal in tone. Name salutations were used. References were made to the particular account and its age. The letters were informal and as free from clichés as possible. The basic psychological appeals for payment were the same in both groups. Thus, the primary difference between the "store" letters and the test letters was personalization and individual treatment.

Method Used in Determining Effectiveness

The test letters were paired with store letters and were sent out at the same time to similar groups of debtors. In other words, the store letters were sent to a "control group." The "test group" of debtors was kept as nearly like the control group as possible; thus differences in results would not be due to differences in the groups, but to differences in the letters. The most important characteristic the two groups had in common was length of delinquency. Many credit authorities have stated that this is the main factor to be used in grouping debtors. However, they were also comparable as to size of the debt, location (within the city or elsewhere), and past history of indebtedness.

All letters were on the store's letterhead stationery and signed by the same officials. The names of those who received the test letters were chosen at random. Records were kept of results in terms of part payments, full payments, explanations or promises, and the length of time required for the response.

The writer realizes that the fact that a payment is received following the mailing of a collection letter does not necessarily mean that the letter is responsible. There is the cumulative effect of several letters, and other factors may have influenced the decision to pay. However, the payment is a tangible and measurable response and the others are not. Certainly, in many cases the letter did cause the payment. And, in the tests made here, the cumulative effect was judged to be similar for both groups. Both were sent the same number of letters. Therefore, reliance was placed on tangible responses from the debtors. The good-will factor was not ignored, but its measurement appeared to be virtually impossible. It could only be judged by the comments of some of the debtors after receiving collection letters, and by their continued purchasing after the accounts were collected.

Various authorities on credit and collections have attempted to classify the various arguments or appeals used to influence the delinquent debtor to pay. Among the most commonly used of these psychological appeals (judging from the writer's surveys and observations) are fair play, pride, self-interest, and fear. The letters used (both test letters and store form letters) represented these four appeals for payment. Fair-play letters were mailed at periods of 90 to 120 days after the due date. Letters appealing to the debtor's sense of pride were sent at five to six months' delinquency. Self-interest letters went to accounts of seven to eight months' age, and letters containing subtle threats, for debts of longer standing than eight months. Although it may seem that the debtors were given a long time in which to pay, this was in line with the existing practices of the stores, and of many other stores as well. The stores were already sending out collection letters at 30-day intervals, and this practice was continued. In order to obtain as many cases as possible in one category, as the study progressed, it was found desirable to concentrate most of the tests on the fair-play and self-interest appeals.

In all categories except the appeal to pride, the test letters drew the best response. The pride appeals involved fewer letters, so that there were not enough cases for any significant conclusion to be reached. For the

others, although there were two fairness appeals and two appeals to self-interest, results will be combined here for the sake of convenience and clarity. For the entire series of tests, the test letters drew 43.7 per cent responses, as compared with 38.5 per cent for the store letters. However, some more striking differences are revealed when we examine the results for the different appeals separately, as shown in the following chart:

	per cent 0 10 20 30 40 50 60 70 80 90 100
Fairness (T)	------------------- 63.1 per cent
Fairness (S)	----------------- 57.9 per cent
Self-interest (T)	------- 25.4 per cent
Self-interest (S)	---- 12 per cent
Fear (T)	-------- 29.1 per cent
Fear (S)	----- 14.3 per cent

Results of the Study

In this chart, the letter "T" designates test letters, and "S" is the symbol for store letters. It will be noticed that, in the self-interest appeal letters, the test letters drew 13.4 per cent greater response; and in the fear appeal, they obtained almost 15 per cent more payments. These figures deal only with payments received, not with the explanations or promises made. It will be seen, therefore, that in the early stages of delinquency, when the fair-play letters were mailed, the differences in results were not significant. However, in the later stages, the personalized letter drew appreciably more responses than the obvious form letters.

In terms of amounts of money collected, the amounts are not available for all the tests. However, figures are available for a part of the tests, which, it is believed, are typical of the whole. For the early tests, there is no significant difference. However, for the self-interest and fear stages, of a total amount due of $12,531.91, the test letters collected $4,554.04, or 36.3 per cent. Store letters were sent to accounts totaling $5,273.12, in this particular test, and $1,056.00 was collected, or 20 per cent. It should be pointed out that these figures all deal with accounts of seven months' delinquency or more.

In addition to the tests already described, a large group of accounts were tested for one store, even after these accounts had been charged off to Profit and Loss. Before handing these P & L accounts over to a collection agency, the store permitted the writer to send them a series of three letters each. The writer was glad to do this, because he felt that many P & L accounts could be collected by the store, with less expense than using another agency or bureau would involve. Of a total amount due of $8,752.94, the first letter collected $1,346.77; the second, $510.62; and the third, $480.83—for a total of $2,338.22. This represents 26.7 per cent of the total amount due.

To make certain that the differences in results of the test letters and store letters were really significant and meaningful, and not due to mere chance or to errors in sampling, various statistical techniques were employed. The probable error was determined. It was found that the difference in results of the fair-play letters, sent out early in the delinquency, was not statistically significant. However, in the self-interest and fear appeals, sent late in the series, the difference was highly significant and could not have been caused by sampling errors or by chance. The difference in results was definitely caused by differences in the letters, themselves.

The significance of this study lies, not so much in revealing something entirely new, but in statistically substantiating ideas on collection letters which, while widely held, have not been accepted by everyone. There has been conflicting evidence as to the value of personalizing collection letters. Here is some proof that personalization pays off. Naturally, the writer does not contend that his figures represent the final answer to the problem. Still more studies need to be made before complete and absolute proof can be obtained. However, the present study does present scientific evidence that is worthy of serious consideration. The findings definitely indicate certain conclusions which grow out of a larger-scale study than has been attempted up to now.

From the evidence thus revealed, it does appear that the personalized letter, individually typewritten, with the name and salutation, more friendly, personal and individual in tone, is the ideal letter for retail collections in the later stages. In early delinquency, the type of letter sent makes little difference. But in a serious delinquency, the personalized letter is significantly better than the mass-produced form letter. Apparently, debtors do respond to evidence of the store's interest in them and attention to their particular case.

Naturally, some will say the cost is too high to type each letter separately, thus making possible the inclusion of references to the particular account. However, figures compiled in the credit offices of some of the stores concerned in this study, showed the additional cost to be small. No dictation is necessary. The letter can be prepared entirely by a clerk or typist. In one large store, it was found that a dictated letter cost about $1.05. A mimeographed form letter with fill-ins cost 23 cents and an individually typewritten form letter cost 35 cents. This is not a large difference and the results in terms of money collected, and certainly in good will built up, are worth much more than this small sum.

Other Conclusions

Other conclusions which may be stated are that persistent, regular attempts at collection will usually get results. Many stores do not "work" their accounts systematically and frequently enough. Also, the credit or collection manager should do some research on his own customers. Such research would be valuable, even if conducted on a small scale. He can keep track of the responses to each of his collection efforts and learn more than he knows now regarding the most effective ones. Just a little effort and time can produce some very interesting and useful results. Finally, the credit executive should devise and use his own letters, rather than depending upon those used by some other store or those taken from a book. He can get better results with letters written in accordance with his own store's policy and for his own customers and his own locality. In this connection, the help of a consultant from outside may be valuable, but, in any case, the letters should be carefully planned and worked out to meet the need, not selected in any haphazard fashion. Care should be taken to show interest in the reader and to make the tone friendly. The friendly, personal-seeming letter is the key to better collections and better customer relations today. ★★★

Changes in the Science of Credit and Collections

Ritz E. Heerman
***President,* American Hospital Association**
Chicago, Illinois

(An address given before the Hospital Group at the 40th International Consumer Credit Conference, San Francisco, California, July 20, 1954)

IN OUTLINING such a subject for hospital people it is important that we differentiate between hospital service and the ordinary merchandising business. One important phase we must consider is that we, in hospitals, do not have the same opportunity to select our credit clientele. In a hospital we are dealing with critically ill patients, many of whom will be thrust upon our admitting or emergency room, and the hospital staff must meet the emergency need of patients first. The average mercantile business operates on the theory that the person wishes to buy some merchandise, say a suit of clothes; he might demonstrate the greatest need for that suit of clothes, but the credit manager is not going to consider the need but the customer's ability to pay for such a commodity. An emergency patient, who comes to the hospital, may involve the hospital's business office and credit manager in an account that is three times the value of a suit of clothes. It is, therefore, important that the credit department of a hospital be well organized and well prepared to deal with these emergencies. I am particularly happy to see the credit people of hospitals entering into the science of credit and affiliating themselves with the National Retail Credit Association, as it is only through such contact and interchange of ideas that the credit managers in hospitals can obtain the skills necessary in dealing with the care of the ill and injured.

In the hospital field, we have visualized during the last 20 years the necessity of facing this problem realistically in developing a program that would give essential medical and hospital care to a greater segment of society and at the same time do it on a basis that would stabilize the finances of a hospital and ease the financial burden on the patient. Some 20 years ago, during the depression era, the hospitals, facing financial ruin, saw the necessity to experiment in the prepayment of hospital services in order to preserve this voluntary enterprise. The first preliminary discussions with the insurance field gave us no solution as they, from their experience, decided point blank that they could not insure ordinary illness. To our credit, we did not take this as an answer but experimented in various sections of the country by having employed groups pay in monthly sums in order to be assured of prepaid hospital services if and when illness or accidents overtook them. Statistics soon proved our point in that the number of persons needing hospitalization for illness and accidents per year in employed groups is about the ratio of one to ten persons. The American Hospital Association then progressively promoted the establishment of Blue Cross organizations throughout the United States and Canada and set up standards for such prepaid services so as to assure the public adequate service on a nonprofit basis. This enrollment now has reached the figure of 47,000,000 people. It is an experiment that has grown to a sound procedure and is probably the greatest achievement in the world of such stabilized form of voluntary prepayment services.

Shown above, left to right, are: John A. Ward, Lovelace Clinic, Albuquerque, N. M.; Ritz E. Heerman; Lois McIver, Chairman, The Gaston Hospital, Dallas, Texas; Bernard Eyges, President, Retail Credit Grantors of New England, guest speaker; and Frances Hernan, Massachusetts General Hospital, Boston, Mass., President, Retail Credit Association of Boston, Co-Chairman.

The insurance companies immediately were astounded, but receptive, that hospitalization was an insurable risk. The insurance industry today has accepted it wholeheartedly and is spending a great deal of energy and money to promote this phase of insurance. The results have proved satisfactory to hospitals and to the public in that about an equal number of people have been enrolled by insurance companies so that today considerably over 90,000,000 people are enrolled for prepayment of hospital services. The American Hospital Association and the Blue Cross organizations are still the spearhead of this program and set the standards for the insurance industry and the public. The hospitals that share in the administration of Blue Cross find that their nonprofit status creates a deeper interest in assuring the public of the best in service at the lowest cost.

Through our strength and ideals we are trying to weed out the racketeers who have come into the field. As in every business there are a few who are in it for money only. Therefore, our hospitals, in dealing with insurance companies on this subject, try to measure the worth of a prepayment insurance policy on its comparison with the Blue Cross plan. Today, there are many excellent insurance companies coming close to equaling the Blue Cross plan. Some insurance people, at various times, have been critical of our attitude toward insurance companies. This has not deterred us from stating that we are going to advocate only our own Blue Cross plan or insurance that comes up to this ideal. I believe that eventually the insurance companies will give us credit for advancing Blue Cross standards plus helping the insurance industry to eliminate the racketeers.

The credit manager of a hospital must again look beyond the mere collection of accounts and plan with the community for the best service to the people of the community on the basis of their ability to pay for such services. What are some of these community relationships?

1. *Emergency Service:* Every hospital, whether it wishes to or not, becomes a center for emergency service as people in accidents will naturally go to the nearest hospital. Many hospitals have become centers for emergency service. Some of these emergency departments are on a contractual relationship with either the city or county government. The public has been educated to a program of emergency care and to the fact that tax authorities have some obligation to furnish this care free. It is the general philosophy, which has so thoroughly seeped into a society that it is difficult for a hospital having an emergency department to collect for services rendered victims of minor accidents that may come as outpatients to the emergency department. For the protection of the finances of a hospital, it is, therefore, important that the hospitals promote contracts with the tax agency to reimburse the hospital for such services. Many of the larger metropolitan cities now have assumed that obligation. The City of Los Angeles, for instance, furnishes emergency service, operates the ambulances, and a central receiving station, but contracts for the services with the voluntary hospitals in the area outside of the central metropolitan district. Many counties in the State of California have a similar contract arrangement. I believe this is a field that should have the interest of hospital administrators and their credit managers, as free service or care to indigents must be paid for by someone; otherwise, the cost must be assessed to the other patients in the hospital.
2. *Care of Indigents:* The general philosophy of the state and national government is that the medical and hospital care of indigents is the responsibility of county governments. In this state, the counties are chartered by the state government to do this job. Some of the counties do it by having adequate tax-supported facilities. Others do it by providing some of the facilities and contracting with voluntary institutions for part of the service. In many of the eastern states the counties contract for this entire service with voluntary institutions. Due to the fact that the indigent load varies according to the economic situation in the country, it is logical and economically sound that a county should not try to build facilities for a maximum load during an economic depression, but should have a medium facility, and, during peak periods, contract for the additional service needed. This phase of hospitalization has always been a great point of controversy as the taxing authorities have been reluctant to pay for the services of a voluntary institution at a rate that covered the cost of such services. One reason for this controversy has been that tax agencies try to cover their payment schedule, if they contract, on the basis of their own *per diem* cost. Due to the fact that the tax agencies have always rendered a minimum service to indigents, their *per diem* cost may be lower. However, it has been well demonstrated that this is not a true weighted factor. It can be stated that the voluntary hospital with a higher cost renders better service, but on a shorter stay basis, in the end probably a cheaper service than the tax-supported agency. The main factor should be the cost per case. Most tax-supported institutions, although they have a lower *per diem* cost, have a longer stay and also a higher death ratio. Therefore, in the measurement of the cost of service, these factors must be considered. There are many aspects of this problem that need detailed study by credit managers and administrators.

Considering the vital service rendered by a hospital, it is important that credit executives do not become engrossed in money to the point where services are denied to patients because of inability to pay on the spot. Many hospitals try to solve this problem by requiring a cash deposit. This is bad public relations, and we must find the solution so as not to have headlines in a newspaper that a child was refused admission to a hospital, and, consequently, died because of lack of service, as the parents could not pay a deposit of $100.00.

Here are the tools by which some of this difficulty can be eliminated:

A. Prepayment, such as Blue Cross.
B. Contract for emergency service.
C. Contract for services to indigents.

Another tool that has proved effective is a pre-admitting program by a close relationship between the credit manager and the medical staff of the hospital. At least 90 per cent of the patients admitted to a hospital do so because of prearrangement by the staff physician. Therefore, by working closely with the doctor and his office staff, patients can be fully informed of the hospital's credit policy and proper documents can be submitted to the patient before he is entered in a hospital, indicating his financial problem, if any, and give the credit manager an opportunity to assist the patient in solving his problem prior to admission. Such a program not only creates good public relations but aids in the medical and hospital service to the patient, as the patient who enters the hospital worried about finances is a poorer risk than a patient without this worry. Such a program also makes a more efficient credit department, increases collections, and allows time for contact with credit organizations, so as to ascertain the relative standing of the prospective patient so far as credit is concerned. It also allows the hospital to be an integral part of the local credit agency. This is important for future collections. This is an important field for the credit manager in a hospital, as, in the past, many credit agencies have not felt it their responsibility to rate a person on the basis of his ability and interest to pay for medical and hospital services. The whole rating system has been based on the ability of the person to pay regular commercial accounts. We, as hospitals, should work close with credit agencies and there is no reason why a person should not be rated also on the basis of his obligations to the hospital. As soon as the people in a community know this, they will have greater respect for keeping their credit standing good and see that hospital obligations are liquidated. ★★★

Why Customers Quit and How to Get Them Back

Thayer L. McDaniel
***Credit Manager,* Cabell's, Dallas, Texas**

IT IS NOT my purpose to try and give you any particular "NEW LIGHT" on the subject of why customers quit and how to get them back, but I would like to refresh your thinking along that line, and give you the results in facts and figures as has been experienced and interpreted by experts in the field. If you are interested in why customers quit and how to get them back, mark these words: "Though fire or storm destroys my fine buildings, fixtures, and merchandise, I have lost little so long as I keep the loyalty and good will of my customers," said John Wanamaker, renowned Philadelphia merchant. And it has been said that no one, in the history of merchandising, appreciated the true value of a customer more than John Wanamaker. We have all heard the old maxim, "An ounce of prevention is worth a pound of cure." It is my thought that Mr. Wanamaker must have approached his customer relations program from that point of view rather than the too-late-awakening fact that the customer or customers had already quit. In other words, he knew how to treat people to inspire their loyalty and good will, and he expressed appreciation for his customers' business at every opportunity. Customers were not just names on Wanamaker's books, they were living, breathing, emotional people who responded generously to individual attention.

Jean Bloom, of San Francisco, found the answer to why customers quit when he conducted a national survey several years ago. Here is the major reason why 68 per cent of the customers quit: discourteous treatment, poor service, or sum it up, if you will, as *indifference.* There are hundreds of modern merchants who have customer relations programs as good as or better than Wanamaker's, but there are hundreds of others who have no planned customer relations program at all. Evidence of this, according to the publication *Retail Ledger,* is the fact that the average retailer loses regular customers at the rate of 15 per cent per year. This is a high mortality. Eighty-one out of every 100 customers are gone in 10 years and 50 per cent of the 81 quit during the fourth and fifth years. By the end of the tenth year, only 19 out of every 100 remain loyal. There is a story about a successful merchant in one of the cities in Canada, referred to as "the John Wanamaker of Canada." The incident centers around a little girl about nine or ten years of age who came into this store with 25 cents in her hand. She said that she wanted to see the owner, and was shown to his office. She told "Mr. Wanamaker of Canada" that she wanted to purchase a present for her mother, perhaps a pretty handkerchief. He escorted her to the sales counter and the actual transaction, when completed, resulted in a 25-cent sale which took approximately 30 minutes. Returning to his office, "Mr. Wanamaker of Canada" was met by two businessmen who had been watching the sale and impatiently waiting to see him. One of the men reproached him: "Do you mean that you can waste 30 minutes of your time on a small child like that for a 25-cent purchase?" He replied, "That is the fifth generation of that family to trade at our store!"

F. M. Boyd, of Anderson Furniture Company, mentioned recently that a young lady came into his store bearing a purchase coupon which had been issued some 20 years earlier to this lady's mother at the time of this young lady's birth! She had come to apply it on a merchandise purchase which she was making for her own home.

We have already seen why 68 per cent of the customers quit. You can add another 14 per cent who quit because they had grievances which were not adjusted. That makes a total of 82 per cent who quit because of *neglect.* Whether the reason was discourteous treatment, unadjusted grievances, poor service, or indifference to their business on the part of the store, it all adds up to neglect in the customer's mind. Someone neglected to impress upon the lost customers that they were wanted, important to the business, and that their business was appreciated. People yearn to be appreciated. They love individual attention. They seek recognition. And they do not change from this status when they become our customers. The average customer wants to be made to feel that his business is important and that he is a valued customer.

It is important that the salesperson into whose department Mrs. Self-Importance enters be on the alert to serve her; likewise, if she enters the adjustment department with some grievance. But then, on the other hand, this same Mrs. Self-Importance can be made very happy just by a friendly letter from the Credit Sales Manager informing her that her valued account had a birthday. Or, if she has been missing from the store, a letter from the president, telling her that she has been missed and inviting her to come in again, will make her beam.

Reviving Inactive Accounts

Actually, the best way to revive an inactive account is by personal contact. See the customers and talk things over and invite them back. If there has been an unadjusted grievance, go to any reasonable length to make an acceptable adjustment. In business, as in life in general, the satisfactory settlement of a disagreement makes friendship stronger than before. Dr. Clyde William Phelps pointed out that "an account which becomes inactive is usually not really 'inactive.' The customer may not be buying at the store, but very likely may be buying somewhere else, and the so-called inactive customer may be on the way to becoming a permanently lost customer." If personal contact is not feasible, then write friendly letters, telling them essentially what would be said in a personal conversation, and, just as important, tell it the same way.

Hurriedly written letters, letters copied from books, etc., are not satisfactory for best results. J. Gordon Dakins, of the NRDGA, recently speaking on "The Collection Letter Phase of Customer Relations," pointed out seven ways to make collection letters more courteous and persuasive. I think that the following five points of the

seven could be very aptly applied to letters to inactive customers:

(1) Know your subject thoroughly.
(2) Be natural.
(3) Make them concise.
(4) Read them aloud.
(5) Watch the first five words.

The cost of a few processed inactive-account letters is nominal compared to business lost while the account is inactive. If the inactive account does not respond to the first letter, write another and another until the customer responds, or until the account is given up as completely lost.

A Chicago store conducted a five-letter campaign to 500 inactive customers over a period of two months. Results per letter are as follows:

Letter No. 1 revived 50 customers.
Letter No. 2 revived 24 customers.
Letter No. 3 revived 48 customers.
Letter No. 4 revived 48 customers.
Letter No. 5 revived 76 customers.

Total results of the campaign were 48 per cent of the customers reactivated. One other advantage in trying to reactivate inactive accounts is that many legitimate complaints, which otherwise would not be called to the attention of management, are brought out. Blank statements with a sales message, "missed at the store" thoughts, etc., have been and are still being used very effectively by many stores in reactivating inactive accounts.

The direct mailing list is another method which has proved to be highly successful in reactivating inactive accounts. Henry G. Lytton Company of Chicago used the direct mailing lists in a planned campaign of 18 monthly mailing pieces to 29,000 inactive accounts. The results were highly successful. About 42 per cent (12,069) of their old customers reopened their charge accounts and made initial purchases amounting to a little over $441,000.00. If all of the 12,069 reactivated customers remained active on the books of the store for a year, their total purchases would amount to over three million dollars. Cost of the 18-piece mail campaign probably did not exceed $3,000.00, which is only one-tenth of one per cent of the potential annual buying power of the 12,069 customers who came back as a direct result of the mail campaign.

Types of Inactive Accounts

Another type of inactive customer is the customer who opened a new account but never uses it. F. William Johnson of Neiman-Marcus, Dallas, said in a recent address that his company has added telephone and house-to-house follow-ups of new charge accounts which are not used. With the help of a series of letters during the first six months after such an account is opened, 50 per cent of those people now make purchases, he noted, recalling that once the percentage was 80 per cent.

The mechanics of setting up an inactive account rehabilitation program must, of course, be worked out by each store according to the type of business and its needs. However, the merchant who pays close attention to his active customers as well as to his inactive accounts, and remembers that his customers are living, breathing, emotional people, who respond generously to individual attention, will always have the loyalty and good will of his customers. ★★★

Wanted, A Salesman Behind the Credit Window

Wade G. McCargo
***President*, H. V. Baldwin and Company, Richmond, Virginia**
***President*, National Retail Dry Goods Association**

THERE WAS A TIME when a good Credit Manager was a cold-eyed individual who was a combination of a banker and a judge. When a prospect came to the credit office, he or she entered with hat in hand and it was up to the customer to be able to sell himself to this high and mighty person who would "decide" whether the applicant was entitled to credit and how much.

This credit man usually had a chief executive over him who believed the ideal customer was a cash customer and that he wanted credit extended with the greatest discrimination. Buying on credit was looked upon as a much less desirable method than paying cash and it was a proud man who boasted that everything he had in his home or on his back was paid for and "his."

Then came the greatest day the average man has ever known. The day of mass production. States, cities, businesses and some bankers got around to seeing that there was no harm in letting the next generation pay for the roads, schools and buildings the previous generation had built but that the present generation was using and would be usable for the next generation. Businesses saw the wisdom of borrowing to make their modernization dreams come true and paying for them as these improvements depreciated.

The result of all this is that we in America are years ahead of our friends in foreign lands. Employment is at a level that most people never dreamed of and we have the greatest productive capacity of any people on earth. In our retail stores there are still those who think a customer opening a charge account is one who may be treated in a patronizing manner and is a little less desirable than the "cash on the barrelhead" customer. This idea needs a thorough "going over" and, I believe, revision.

We Must Do a Better Selling Job

If our present high rate of employment and prosperity is to be continued, there must be a better selling job done by every employee in the store. One phase of this selling is *credit*. No longer are we "extending" credit. We need to "sell" credit to our customers. In order to keep our factories going and our people prosperous, we need to sell ever *more* and *more* of our manufactured products. This can and should be done through the medium of the charge account.

A charge customer is a more loyal customer to our store and can be more easily sold larger ticket merchandise. That customer is more likely to come to our store if she has pleasant credit relations. That is where the credit manager and his co-workers have the chance to do a real job of selling.

We need to *sell* credit to our prospective charge customers as a service we are anxious to render and one to which they should avail themselves. Credit is no longer a luxury of the privileged few or something to be grudgingly extended after a grueling interview. The prospective charge customer should be treated as a welcome guest we are anxious to serve. Many stores lose more by stock shortage than they do on credit losses. We should change our thinking and recognize our charge business as the most valuable asset in the entire store.

You may be thinking that retailers should sell more credit accounts but the question is, *how?* You probably know many more ways to get charge accounts than I do but here are a few that have worked in our store and many other retail stores throughout our land.

Let people know you welcome charge accounts. Many people still hesitate to ask for a charge account unless you make it very clear you welcome this business. We need to tailor our accounts to our customers' needs. No longer are the old 30- to 60-day accounts the only desirable business. The so-called Revolving Credit Account that allows a previously agreed limit and payments spaced between six and twelve months is a popular account and a profitable one, too. This account carries a service charge of 1 per cent a month and will easily pay its own way.

Seven years ago we gave our charge customers ample notice that we would make a service charge on any balance on an open account that had stood more than 60 days. We charge 1 per cent per month on these past-due balances. Our experience has been excellent and we have fewer people who are past due and this income enables us to insure all of our charge accounts so that if one of our charge customers dies, we can send his family a receipt in full for the account. We have had very few customers to complain and when they do, it is easy to explain that 30 to 60 days are regular terms on an open account and a balance left longer becomes a budget account and all budget accounts are charged a service charge each month. Now, let us look back to ways of getting more charge accounts.

Nothing pleases a "will call" customer more than to have someone in the credit office suggest that we should be happy to have that person open a charge account with us. These people are already our customers but are prime prospects as Continuous Budget customers. As lay-away customers, they are anybody's prospect for future purchases but as budget or open charge account customers, they belong to us and are much more likely to come to us for their needs.

When a customer pays for a purchase with a check, this is an opportune time for the person O.K.'ing the

(Turn to "Wanted," page 31.)

What Is The Most Important Cre

Opinions of Management

It is my opinion that the present picture of our country's economy justifies a feeling of conservative optimism for the year 1955. I believe income will continue at a high level. Governmental appropriations, although slightly under the peak because of a downward spending in defense, will be more than offset by housing construction and public spending for much-needed highways, buildings, schools, hospitals, etc. This stability of consumer income will be reflected in increased credit selling, which will enable retail sales to exceed those of 1954. As we have learned to control inventories to prevent backlogs which could seriously affect our economy, so, too, must we use good judgment in promoting and guarding against consumers building up obligations beyond their ability to pay. Therefore, it is imperative that credit men keep abreast of day-to-day conditions and be flexible enough to act accordingly.—Arthur B. Baer, President, Stix, Baer and Fuller Company, St. Louis, Missouri.

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In recent years, credit methods have largely been standardized with greater education as to the passing of terms, collection of money, and customer understanding of the value of a good credit record. However, the type of credit offered to consumers has been greatly complicated by the numerous variations in credit plans also. From the one extreme of conservative credit with maximum down payment and a minimum number of months to pay the balance, there are various plans up to no down payment and in many cases thirty-six months to pay on home appliances and automobiles. For 1955, the principal problem for concerns granting credit, particularly if they use their own funds or bank credit to carry their own accounts, will be to judge just what type of credit they wish to grant. It will require careful judgment and stabilized balance of operations, to gear together the extension of terms, with mark-up, credit expenses and losses and financial policy. In credit, as in everything else in life, one cannot be everything to all people. One must choose the place which each store wishes to serve in its trading community and find that trading niche which offers best opportunity for volume and profit.—Louis S. Bing, President, The Bing Company, Cleveland, Ohio.

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Self-control by the retail credit industry of sale terms is one of the most important of its problems for 1955. Although most merchants and other vendors maintain sound terms, nevertheless, a substantial 'fringe' group advertise extremely liberal terms and, in some instances, grant those kinds of terms. In an instalment economy such as we have in America, it is important that credit terms be maintained on a sound basis and be supplemented by a firm collection policy.—Myron R. Bone, Vice President, American Industrial Bankers Association, Fort Wayne, Indiana.

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First of all, with 1954 credit sales being so high, the collection problem seems to be paramount. While we must exert intelligent effort on collections, we must do everything within our imagination to promote sound credit selling in 1955 and all the years to come. We in the merchandise business must ever be mindful of the fact that no salaries can be paid until merchandise is sold at a profit and the money eventually collected for that sale. In order to make the most of our credit selling and lay a firm business foundation for the future, we must make a continued and more concerted drive for more credit education. We must acquaint people with the importance of credit to each individual, and impress upon them the importance of maintaining a good credit record. We must make people, our customers and potential customers, realize that their continued high standard of living is dependent upon a sound business credit structure. People must be conscious of the fact that careless maintenance of their personal credit will not only reduce their standard of living, but it will destroy the moral fiber of our people and our nation. In the same trend of thought, I think that business management tends to think of their credit department as a matter of fact, something taken for granted. We must make management conscious of the true place of importance of this department. The basic reasons for American greatness would go amiss without modern credit. We have natural resources, manufacturing know-how and management, advertising, salesmanship, communications and transportation, second to none in the world. Where would business be today? Where would we get our distribution unless the consumer had a way to pay for the merchandise produced, advertised, sold, ordered and transported? We must educate management and consumer in the ways of good sound credit structure. As said before, this is a continuing problem in 1955 and for years to come. This education, at the moment, must be carried out by credit associations, individual credit managers and credit-minded business management, but eventually we must meet this problem by accredited academic courses in high schools, colleges, and universities.—John A. Broom, Jr., General Credit Manager, Cate-McLaurin Company, Columbia, South Carolina.

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I think that the calculated risks a number of department stores are taking through negative credit reports, with the resultant deterioration of the basic credit files in the cooperative credit retail reporting bureaus, may make the opening of new retail charge accounts a more difficult problem because of the lack of basic detailed credit information. This in my opinion is the most important retail credit problem for 1955.—Charles A. Cohan, President, Hens & Kelly, Inc., Buffalo, New York.

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The most important retail credit problems for 1955 are as follows: 1. Make complete study of credit operations toward reducing cost of all credit operations as volume of transactions increases. 2. Educate youthful families on how to use credit buying in their budgeting of family financing to overcome husbands' objections to a charge account. 3. Establish closer contact with national economists to determine creating of barometers to help in directing opening up of greater credit avenues of business, as well as stop signals of credit creation.—Horace F. Cordes, Executive Vice President and General Manager, Burdine's, Miami, Florida.

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We face four known significant problems and have already started our planning in order to contend with them successfully. They are as follows, not necessarily in order of importance: 1. *Acquisition of credit volume and reopened accounts.* Recognizing that volume is more difficult to maintain now and will probably be so throughout 1955, we are conscious of the importance of good credit sales promotions, and we are alert for merchandise that lends itself to opening credit accounts. Also any ideas that would induce paid-up customers to reactivate their accounts. 2. *Protection against losses.* Interviewing and credit passing techniques have been reviewed to minimize charge-off or repossession hazards. 3. *How to contend with strong term advertising.* We are watching our figures closely to evaluate the impact of term advertising such as 'No Money down,' and '24 Months to Pay.' Again our interviewing practices and attitudes are watched in order to show best results in the face of such strong advertising. 4. *Credit department income and efficiency.* Carrying charge income is watched closely to be sure that income is at a maximum. Short cuts are sought to increase efficiency and cut expenses.—A. Davidson, President, Davidson-Boutell Company, Minneapolis, Minnesota.

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The most important retail credit problems for the year 1955 involve the finding of ways and means to combat the ever increasing cost of operation by finding more efficient ways in which to accomplish the necessary functions, and to be more alert than ever in the processing

re[dit] Problem For 1955? The Current Trend Of Credit Thought

of credit and the collection of accounts receivable.—J. F. Eichelberger, Executive Controller, The Hecht Company, Baltimore, Maryland.

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In 1955 most merchants will be faced with keener competition and must sell more aggressively. As a consequence, credit departments generally will have a responsibility for maximum promotion of credit sales while maintaining satisfactory collections and keeping bad debt losses within conservative limits, consistent with the degree of calculated risk on which charge accounts are accepted and credit limits determined.—Oakley Frost, Comptroller, Ellis Stone & Company, Greensboro, North Carolina.

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The Bank of America recently expressed a major problem of the coming year most exactly, by pointing out that this is neither a buyer's market nor a seller's market, but a 'management market.' That applies to every department, the credit department included. But for the coming year, the principal job is to get back to fundamentals of collecting the money and keeping the customer's good will and doing that to the best of our ability.—Rawson Haverty, Vice President and Treasurer, Haverty Furniture Companies, Inc., Atlanta, Georgia.

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The most important retail credit problem for 1955 is the conservation of working capital. For the past two or three years credit has been widely used as selling ammunition. Contract accounts have increased in number, and the time of the credit contract has been gradually extended from twelve to twenty-four months. It seems to us that, without attempting to reverse the general liberal credit policy, it could be possible to conserve working capital by more carefully interviewing the credit applicant, and by suggesting a larger cash payment and a shorter contract, when the facts developed in the interview would warrant such action. Many a contract is written for two years, when it could have been written for one year without any inconvenience to the customer.—Hugo Heiman, President, The Gus Blass Co., Little Rock, Arkansas.

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The retail credit problems in 1955 will be much like those that characterized 1954. All credit problems will be a bit more intense in the year ahead because of the more competitive era in which we are operating. The problem of returned merchandise, which is constant, needs to be watched carefully so that it does not get out of hand. The use of sound credit policies for the distribution of merchandise will grow in importance in the year ahead. Care here must be exercised so that in the retail field one does not engage in what is generally described as credit term selling to the exclusion of a sound credit program. Liberality of credit to those worthy will become a necessity, but indiscriminate use of credit can react with considerable hardship on those indulging in this uneconomic practice. The constant increase in the value of inventories, due to the need of a more complete stock to satisfy its customers' needs, makes credit management more important as time goes on. Good credit management that is able to collect accounts promptly and in accordance with terms will make a great contribution toward lessening the financial burden and borrowing needs of the companies by whom they are employed. The importance of credit is going to be increasingly apparent in years to come. It is now recognized as a great aid in the more extensive selling program necessary in this day and age.—Henry H. Heimann, Executive Vice President, National Association of Credit Men, New York, New York.

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During the latter part of 1954 there was a trend toward more liberal instalment terms. Quite probably this will continue in 1955. There will probably be more 'no money down' offers, and a tendency to increase the length of contract. Each merchant will have the problem of deciding how far it is desirable to go in this respect, taking into consideration the additional capital required for financing and the additional risk involved. Credit granters who lower terms will receive a higher percentage of applications from marginal risks and should be prepared to screen them carefully. We do not see any indication that there will be any serious collection problems in 1955 if proper credit judgment is used. As always, however, it will be necessary to maintain an effective schedule for follow-up of delinquency and to discontinue additional credit until delinquency is cured.—I. E. Joseph, General Credit Manager, Sears Roebuck and Co., Chicago, Illinois.

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The present trend appears to be more favorable for the extension of retail credit in 1955 than it appeared to be last year. Judging from the improvement reflected in recent months in collections, it would appear that where credit is extended with average good judgment no difficulty should be encountered in the liquidation or collection of such extension. At the moment we visualize a year of good business ahead, but of a highly competitive type that will exert pressure for liberalization in terms and also in the credit risk. The use of all the tools of evaluating credit will be important in this coming year. —J. F. Krebs, Vice President, Bank of St. Louis, St. Louis, Missouri.

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In December, 1953, when I was asked to submit a statement of what in my opinion was the most important retail credit problem for 1954, I pointed out that tight control of credit and accounts would be imperative in view of the general downward trend of economic conditions starting in the Fall of 1953. We have weathered the storm and fear of recession, and have come through the year with our accounts still intact and under good control. With the economic trend on the upgrade, new problems are now facing us. For 1955, the most important retail credit problem is the matter of watching our competitors and ourselves so that we may not get out of control. The trend in the last year (and this trend has been going on for several years) has been to increase the time of payment to a point where there is competition to see who can extend the greatest length of time and the greatest number of payments to each account. Originally, credit accounts were designed as a service and provided for 30- and 60-day accounts. Then they were extended to 90 days. After that, budget accounts of six months were developed. Then the revolving account came into being, where the charge was spread over a six-month period with six full payments. Recently there have been plans developed extending the revolving budget payment plan to nine months and now to twelve months. If this trend continues, it may work a real hardship on all retailers. Instead of being a service, credit will become a loss leader or a traffic stimulator that can be very costly. How far can the race continue in extending length of time for payment of accounts? The most important fact facing us in our credit policy in the coming year is whether or not we are to be stampeded into competing with our fellow merchants in a race to see who can give the most time and greatest number of payments to the customers. The 'Shangri-la' that some merchants are seeing over the blue horizon may only be the mirage of a road over the hill to the poorhouse.—L. Landwirth, President, Kline's, Peoria, Illinois.

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The most important retail credit problem for 1955 is the promotion of extra business. Due to constantly rising expenses, it is difficult to show a profit in a retail store unless store volume can be increased. The best way to increase volume is through the opening of additional charge accounts. This is more lasting and beneficial than price promotions. When a customer has an account at your store he is much more likely to buy all his needs from you than from your competitor. Retail stores should put on intensified campaigns to secure additional charge accounts. The collection of them is another problem I do not take too seriously.—Stuart G. Levy, Secretary, Levy Bros., Inc., Louisville, Kentucky.

The most important credit problems for 1955 are: 1. The stimulation of credit sales. 2. The maintenance of healthy collection ratios. 3. The discouragement of unsound credit extension. 4. The maintenance of adequate and competent credit and collection personnel. 5. The control of credit department expense. 6. The firm control by management of these apparently wildly divergent aims. In our store our 1955 problems are less concerned with new conditions facing us in 1955 than with the carry-over of problems created for us by practices of the last two or three years.—M. S. Lichtenstein, Secretary-Treasurer, Lichtenstein's, Corpus Christi, Texas.

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The credit office and its operation will be important to all of us in 1955. Among its many problems, I think the most important is now, as always, in its function as a selling part of the store. There are few places, if any, in the store where so much can be done to attract and hold customers. Credit control will be important. Many changes in the economic position of our customers are taking place; both rising and falling incomes bring problems to the credit office. The good credit man will be alert to the possibilities of counseling and guiding the increasing number of credit customers.—Frank M. Mayfield, President, Scruggs-Vandervoort-Barney, Inc., St. Louis, Missouri.

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I will enumerate the retail problems for 1955 and the importance of them in the order in which they are listed. Better merchandising of credit to customers is a great need in most stores. We need to sell credit to people and sell them the kind of credit that will best serve their needs. Closer watch has to be made in trying to help people keep from overextending themselves in credit. This can be done by advice from the credit department, but it must be done tactfully to keep the customer from feeling that we are meddling with his affairs. In our store we have found a positive, friendly reaction from our customers in insuring their charge accounts with our store. This is not an excessive expense and, if handled correctly, it is certainly a fine public-relations move. A closer watch has to be made on open accounts. Many of these accounts now run 90, 120 and up to six months with the payments never equaling purchases. We are unfair to our revolving credit customers when we allow open account customers to charge and run their accounts for long periods while we make service charges on the revolving credit accounts. About eight years ago we inaugurated a policy of charging a service charge on any balance that stands more than 60 days. We have had very little difficulty from the standpoint of customer resistance and we have used part of this money to insure all of our charge accounts in case of the customer's death.—Wade G. McCargo, President, H. V. Baldwin & Co., Inc., Richmond, Virginia.

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I believe that the most important retail credit problem for all years since 1940 is applicable to 1955. I refer to the ever present danger of a governmental control of retail credits. Instalment selling has been thoroughly integrated into the American distribution system. When the government enacts controls, the dislocations and disruptions which result are far beyond the comprehension of the bureaucrat in Washington who thinks in terms of national indebtedness, but who has no conception of the necessity of maintaining a fine balance in the field of distribution. Since I believe it is fundamentally wrong for the national government to regulate consumer credits, I believe retailers should do everything possible to conduct their business in such a manner that there will be no excuse for credit regulation. It is a great mistake for the dealer who wishes to sell the type of customers who buy on instalments to advertise 'no down payment.' In my opinion the instalment type customer should pay a reasonable down payment. Most of these customers are not entitled to open credit in large sums. To advertise 'no down payment' in an effort to secure instalment trade is to establish unsound standards in the minds of prospective purchasers. The best means of avoiding overselling the type of people who must buy on deferred payments is to insist upon a reasonable down payment from such customers. My observation has convinced me that merchants who have had the most experience in instalment selling are least inclined to advertise 'no down payment' and the great majority of merchants who engage in 'no down payment' advertising are relatively inexperienced in serving the real instalment buyer to whom their advertising appeals.—B. F. McLain, President, Hart Furniture Company, Dallas, Texas.

We feel that 1955 is going to present one of the most difficult problems the credit department has had for years. The credit department will have to make plans for increasing charge accounts and it should be done, if possible, in some method other than by increasing the time allowed for payments. It seems in the last few years that most departments, in order to get additional accounts, have relied primarily on plans which give the customer more time in which to pay his bills. This is what we would like to avoid, so it looks like we are going to have to get as many new accounts as possible by contacting newcomers and people who do not have accounts at our store. This will take promotion and personal contact, and it will be up to the credit department to work it out in some satisfactory manner. This is going to be a real challenge, but it is our intention to work along this line.—Otto W. Monnig, President, Monnig Dry Goods Company, Fort Worth, Texas.

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I am not worried about good, sound credit policies but I am concerned when stores start advertising 'insure your budget account' and also advertising 'make your Christmas purchases in November, pay one-third each in January, February and March.' A worth-while credit customer does not need such extended terms; seems we are taking pot shots at the goose that laid the golden egg.—J. Frank Morris, President, The Killian Company, Cedar Rapids, Iowa.

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Among the credit problems of retailers these three will require more than usual attention during 1955: 1. Proper credit terms. 2. Sound credit checking. 3. Credit operation costs. Terms obtained, including discount periods, will have to be adequate to permit not only normal stocking of goods but also necessary preseasonal stocking, in realistic relationship to actual turnover potentials. Especially where instalment sales are involved, the length of time for payments will have to be reappraised to assure movement of higher-priced and longest-profit items with acceptable liquidation results. Methods of checking credits will have to be re-examined in detail if practices established years ago have not been comprehensively overhauled, to take into consideration that our population is, and since the war has been, a very unstatic body. Approximately 36 million people each year are moving from one county to another; half of these from one state to another, many also changing their earnings sources. This imposes new needs in investigative procedures, also new perspectives for checkings based on averages to accomplish the fundamental objective of all credit passing: service which maximizes credit sales to desirable risks and minimizes credit sales to undesirables. The lowest cost of credit operations consistent with adequate credit service and normal credit losses will have to be sought. Competition inexorably forces the necessity for a low total cost of doing business, and credit costs, no less than any other expense category, are a part of the total. Attention similar to that given other expense items must obviously be given to this item if it is not, like Topsy, to 'just grow.'—James W. Newman, Vice President, Commercial Credit Company, Baltimore, Maryland.

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Any progressive retail establishment should aggressively continue the promotion of the sale of merchandise through the medium of charge accounts and yet keep in mind the necessity of regularly following those accounts for collection, and especially those which are habitually slow in the matter of payment. No finer medium for the sale of merchandise exists than through the retail charge account, but collection of accounts is as essential to the successful operation of a retail store.—Arthur Phillips, President, The M. M. Cohn Company, Little Rock, Arkansas.

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Even though collections are slightly slower than they were a year ago, we should have no concern over the general status of outstanding accounts in the retail field. The economy is healthy, and even though some people in our lower spending brackets might have overextended themselves in the field of instalment credit, actual credit losses have been no greater than in previous years. This means that the American public is going more and more to budget accounts and instalment accounts, that this is the way they like to buy merchandise, and that alert retailers all over the country will begin to realize it,

capitalize on it, and accept the calculated risks that go along with it. I believe that we are moving into another period of upswing in the economy and that the main problem of people managing credit will be to see how much of it they can sell. An aggressive program of credit extension will, in my opinion, make a marked contribution to distribution in the coming year and we will need it to keep the increased productivity of our factories at work.—Richard H. Rich, President, Rich's Inc., Atlanta, Georgia.

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Briefly, I would say, 'Those problems that are always related to the fundamentals of good credit management.' Except for some variations in emphasis born of economic or social change, the basic fundamentals involved in the proper handling of consumer retail instalment selling and retail credit extension do not change materially from year to year. They are always present. Here are a few of the most important ones:

1. Careful and adequate character and capacity investigation, with an evaluation of these commensurate with the financial risk involved.

2. Down payments reasonable enough to permit purchase, and yet large enough to create for the buyer an equity which he will want to protect.

3. Terms and maturities which will build for the buyer a progressively increasing equity, and yet related realistically to the useful life of the goods and the buyer's income.

4. A collection policy which will assure compliance with the terms of the buyer's obligation, and yet flexible enough to maintain good customer relations.

5. The maintenance of income for credit services adequate to cover the costs of such services, including a return on the funds employed.

Adherence to these principles in 1955, with an emphasis flexible enough to meet the challenge of a dynamic economy, will assure a well-managed credit division, and will enable management to meet any problems which may arise during the year. On the market side, retail dealers engaged in consumer instalment selling may broaden their potential market base through sound and effective promotion of credit sales. The economic climate anticipated for the coming year seems favorable for the various consumer durable goods industries. A well-thought-out, dignified and sound program of instalment credit sales promotion can be an effective means of enabling retail dealers to retain or to increase their share of a healthy and expanding 1955 market.— Thomas W. Rogers, Executive Vice President, American Finance Conference, Chicago, Illinois.

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To determine the most important retail credit problem for 1955 we have to take a throwback to the dominant retail procedure of the late nineteenth century. Then, a considerable volume of business was transacted by the itinerant merchant from his stock of tinware, dry goods and notions, conveyed slowly and laboriously in a big Studebaker wagon pulled by a span of horses. While the mode of transportation has been immensely improved, the itinerant merchant has just about passed out of the history of retailing. We ask ourselves: Why? In my opinion, the principal cause of this demise is that this type of retailing did not create permanent repeat business. We know today by scientific analysis that credit is an important factor to tie the customer to the store. He becomes a known individual to whom we can direct our merchandising appeals. So I would say the problem of how to win charge-account customers to your store and how to get the greatest proportion of their spendable dollar for merchandise in your line is the most important credit problem in 1955.—Morton H. Sanger, Vice-President, E. M. Kahn & Co., Dallas, Texas.

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Credit problems for 1955 will most likely be a continuation of those presently with the retail trade. Increased competition for the consumer's dollar, with its resultant overextension of credit, will probably be the one problem deserving most attention. A person's ability to pay certainly has its limitations, and to encourage credit beyond that point is not only an injustice to that person, but definitely beyond the boundaries of good business judgment. This is a problem of not just the individual retailer but the community as a whole, and proper use of, and cooperation with, your credit bureaus would assuredly be one step in the direction of controlling this problem.—A. R. Schumann, Treasurer, The Gano-Downs Company, Denver, Colorado.

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The most important retail credit problem for 1955 is in the field of public relations. While most families in this country use consumer credit in one form or another, most of them are comparatively ignorant about the role and function of consumer credit and this misunderstanding or lack of understanding about it generates a feeling of mistrust in the entire consumer credit structure of the country. The thing that consumer finance and retail credit in general needs above everything else is complete understanding and acceptance of its salutary effect in the American family scene and upon the general economic front. Full and complete understanding of consumer credit by families, by teachers and students in educational institutions, by economists, opinion leaders and legislators would benefit everyone. Such full understanding about consumer credit would involve an acceptance of its role in the economy and in the family life. It would involve an appreciation of the value of a good credit standing. It would bring about more perfect compliance with contract terms on retail credit commitments. I realize that some will say that delinquency will be a major problem in 1955. Some delinquency we will always have with us, but if we could get the public to understand and accept the basic principles which underlie a good credit standing and create in their minds an earnest desire to achieve a good credit standing for themselves, most of the delinquency problems would solve themselves. Others will claim that volume is a problem for 1955. I confidently expect increased volume in all areas of retail credit extensions during the year. Gradually improving business conditions and enhanced appreciation for consumer credit will bring this about. We do not want too great or too sudden an increase in volume. Sustained growth in its proper relationships to the general economy is the most to be desired. A well-informed public will handle its consumer credit requirements tactfully and with fidelity to commitments. These are some of the reasons why I believe that the primary problem facing us in this year and in succeeding years is a problem of such an improved public relations presentation about retail credit as will bring about more perfect understanding in the minds of the public.—Paul L. Selby, Executive Vice President, National Consumer Finance Association, Washington, D. C.

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The most important retail credit problems for 1955 are primarily those caused by unemployment. Credit problems are usually the same, but this is the most vital at the present.—Milton F. Silverman, Secretary, Kobacker Furniture Company, Toledo, Ohio.

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This question has many angles. Primarily, credit is being granted so easily that people are being rushed into buying items which they do not need and which will be most difficult to pay for, plus their already contracted obligations. As long as there is no war, and employment and wages remain high, accounts will eventually be worked out. Should something upset this balance, many overextended stores and overbought customers are going to find 'the sledding very rough.' The watchword had better be, 'take it easy and investigate' before you sell fast and loose.—Joe Simon, Nueces Furniture Company, Corpus Christi, Texas.

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As we consider ourselves a liberal credit granting store, I think the most important function of our credit office in the year 1955 is to be very conscious of the accounts already on our books and to consider carefully the new applications constantly flowing in. Our contract or time-payment plans will probably impose a serious problem with the trend of no down payment and longer monthly payments. Concentrated and concerted collection efforts should be directed to this large volume. Training of office personnel appears to be one of the larger problems at this particular time. We sometimes lose sight of the fact that even the minor positions in credit offices are also customer-contact mediums. Continued promotion of inactive accounts and solicitation of new charge accounts are imperative, so long as kept within a reasonable expense bracket.—Sam Strauss, President, Pfeifers of Arkansas, Little Rock, Arkansas.

(To be continued next month.)

CREDIT FLASHES

1954 Census of Business

Early in 1955, the Census Bureau of the Department of Commerce will conduct Censuses of Business, Manufacturers, and Mineral Industries. These censuses will provide facts about manufacturing; mineral industries; retail and wholesale trade; and selected services, including personal, business and repair services, hotels, and tourist courts; amusement places, and the motion picture industry. The Census of Business will cover approximately 3,000,000 retail, wholesale, and service establishments; theaters and other amusement places; and hotels and tourist courts. The value of the census depends largely upon prompt and accurate reporting by retail business. Members of the National Retail Credit Association are urged to file their reports within 30 days after they receive their reporting form.

New Appointment for J. Miller Redfield

Election of J. Miller Redfield as vice president in charge of industry relations of the American Investment Company of Illinois, St. Louis, Missouri, has been announced by Donald L. Barnes, president of the company. He was formerly executive secretary of the California Loan and Finance Association and prior to that he was regional director of public relations for Household Finance Corporation. From 1931 to 1935 he served as field representative and examiner with the Reconstruction Finance Corporation in Iowa and Chicago.

E. T. Ageno Heads San Diego Credit Men

Eugene T. Ageno, Vice President and Treasurer, Walker Scott Company, San Diego, California, was elected President of the Merchants Credit Association of San Diego at a meeting of the board of directors. At their annual meeting on October 22, 1954, the new directors were installed and officers elected. Other officers for 1954-1955 are: Vice President, L. A. Marion, W. P. Fuller and Company; Treasurer, Roy Wiley, City Chevrolet Company; and Secretary and General Manager, Fred L. Train, Merchants Credit Association of San Diego.

Wanted to Buy

CREDIT BUREAU, preferably in the West, in town with population of 25,000 to 40,000. Box 1551, The CREDIT WORLD.

For Sale

Steel file cabinets. 1,000 drawers for five-by-eight cards. Shaw Walker No. 1055, 19 inches deep. Buy what you need for $1.00 per drawer. F.O.B. Washington, D. C., The Credit Bureau, Inc., P. O. Box 1617, Washington 13, D. C.

CREDIT BUREAU and Collection Agency, located in County Seat, servicing a four-county area. Have other interests reason for selling. Reasonably priced. Credit Bureau of Mason and Menard Counties, Havana, Illinois, telephone 873.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont and Quebec, New Brunswick, Nova Scotia and Prince Edward Island, Canada) will hold its annual meeting at the New Ocean House, Swampscott, Massachusetts, April 24, 25, and 26, 1955.

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold a joint annual meeting at the Hotel New Yorker, New York, New York, February 13, 14, and 15, 1955.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting at the Tutwiler Hotel, Birmingham, Alabama, April 17, 18, 19, and 20, 1955.

District Five (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana and Wisconsin, except Superior) will hold its annual meeting at the Faust Hotel, Rockford, Illinois, February 4, 5, and 6, 1955.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting at the Hotel Fontenelle, Omaha, Nebraska, March 13, 14, and 15, 1955.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Skirvin Hotel, Oklahoma City, Oklahoma, March 13, 14, and 15, 1955.

District Eight (Texas) will hold its annual meeting at the Buccaneer Hotel, Galveston, Texas, May 22, 23, and 24, 1955.

District Nine (Colorado, New Mexico, Utah and Wyoming) will hold its annual meeting in Casper, Wyoming, May 8, 9, and 10, 1955.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Alberta, British Columbia and Saskatchewan, Canada) will hold its annual meeting at the Vancouver Hotel, Vancouver, British Columbia, Canada, May 21, 22, 23, and 24, 1955.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the El Tejon Hotel, Bakersfield, California, February 20, 21, 22, and 23, 1955.

Position Wanted

CREDIT MANAGER available for a Credit Bureau, Hospital, Department Store or Collection Agency. Married, 28, aggressive and personable. Executive caliber. Seven years' experience in all types of credits and collections. Two years' experience managing credit bureau with collection department. Box 1552, The CREDIT WORLD.

New Account Promotion Through Salespeople

Paying a nominal fee to salespeople for bringing in new charge accounts is part of the promotion to increase credit buying at our store, Loeb's, Lafayette, Indiana. Formerly the store had given a prize at the end of the month to the best two or three employees, but this plan has been dropped for a straight bonus based on each salesperson's work. To help get new accounts, the credit department has printed a "Special Invitation to Our Patrons" card. This is a message about post-card size that is distributed to every department in the store. Salespeople give them to cash customers with the suggestion that they go to the credit office "right now" and open an account.

Initials on the card that the customer takes to the credit office tell who sent her and the employee is credited accordingly. The message says, "Our new accounts department would like to meet you personally, but if time does not permit, fill out the reverse side and return it to the salesperson or mail it to us." Then the card explains other charge services and the store's personal shopping service. The card tells what floor the new accounts department is on, gives the phone number and is signed, "Cordially yours." Since the cost of printing the cards is comparatively small, any results are profitable. As a matter of fact, this system has worked well at Loeb's.—E. H. Trimble, *Manager of Credit Sales*, Loeb's, Lafayette, Indiana.

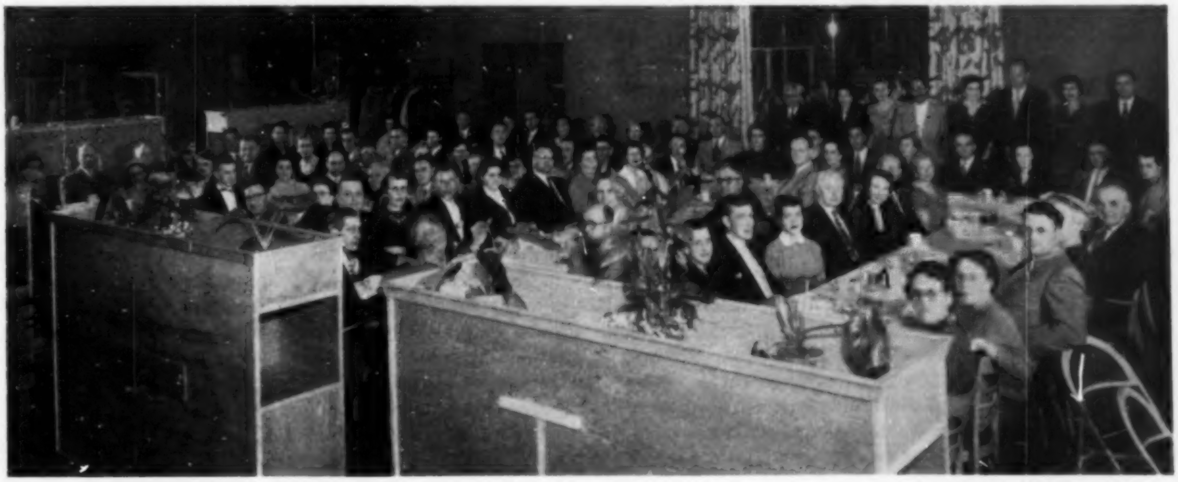
Annual Meeting at Moscow, Idaho

The Associated Retail Credit Men of Latah County, Moscow, Idaho, held their annual banquet and installation of officers November 19, 1954. Below is a picture taken at the affair. Next to Coeur d'Alene, Idaho, Moscow has the largest number of members in the National Retail Credit Association in the state of Idaho. At present there are 89 National members in the city and this is a remarkable achievement, considering the fact that the population is less than 8,000. All members of the local association are members of the N.R.C.A. A. V. Moffatt, secretary, has been active in membership work. The association sponsors a regular newspaper pay-promptly campaign designed to educate the consumer public to pay their obligations promptly. Mrs. C. C. Dimond is the new president and Leo McGarvey, vice president. Directors are: John Hunt, Allen Rasstedt, Raymond Harrison, Elmer E. Nelson, and Edward Nygaard.

Credit Manual of Commercial Laws (1955 edition, National Association of Credit Men, 229 Fourth Ave., New York 3, N. Y., 870 pages, $10.00). Many have been the analyses of the revised Internal Revenue Code. Unique is the review of the new tax law presented in the 1955 *Credit Manual of Commercial Laws*. Here is an authoritative working guide directed to credit and treasury management in the manufacturing and wholesale areas, for adjustment of policy to safeguard sales and profits against tax liabilities. While neither a textbook nor a substitute for attorneys' services, the Credit Manual does provide fingertip information of legal principles and federal and state statutes, to help direct executive action on legal phases of operations, all the way from receiving a customer's order to signing his payment check.

Hugh Roy Cullen: A Story of American Opportunity (Prentice-Hall, 70 Fifth Avenue, New York 11, N. Y., 376 pages, $4.00). This biography, written by Ed Kilman and Theon Wright, traces the career of the "King of the Wildcatters" as he progressed from a typical small-town boyhood to a position of uncountable wealth. For more than 30 years, this tall, leathery Texan has been pumping money out of the earth in the form of oil, and pouring it forth again in a flood of philanthropy such as the world has rarely seen. This is an important book which the American people should read.

Financing the Instalment Purchases of the American Family (Commercial Credit Corporation, 14 Light Street, Baltimore, Maryland, 104 pages, free on request). Instalment buying has assisted in facilitating the rapid achievement of widespread ownership of consumers' durable goods by American families in all income groups. This fact and others are contained in this book by Dr. Clyde W. Phelps. This, the third in a series of studies on consumer credit, lists several ways that sales finance companies have helped further mass production.



Hospitals, Physicians and Dentists

QUESTION

What is the best method of handling hospital or medical bills involving divorce? The husband denies responsibility for his wife's or child's bill either on the basis that he claims he is sending sufficient money to his wife to pay bills, or on the basis that he claims he was legally divorced before bill was incurred.

ANSWERS

R. E. Blue, Willis-Knighton Memorial Hospital, Inc., Shreveport, Louisiana: A credit granter will seldom be faced with a problem of this kind. The laws governing divorced couples with children are different in each state and unless a positive and written commitment can be secured from the divorced husband, credit should be granted to the mother only on her ability to pay. We had a case of this kind but the account was opened and charged to the mother and subsequently was admitted as an obligation of the divorced husband and he signed agreement to pay. When a couple is divorced under the laws of Louisiana, the husband may not be forced to pay the child's bill. The decree when the divorce is granted may carry such stipulation. It would be wise for the credit granter to demand payment from the person seeking credit for the child. A signed and positive agreement should be secured.

Frances M. Hernan, Massachusetts General Hospital, Boston, Massachusetts: We contact the husband and wife by letter asking them to come in to see us in order to determine which one is responsible, and to bring the divorce papers in order to show whether the divorce was complete before the bill was incurred. We then ask permission from the administration to turn the account over to our attorney for investigation and collection, and suit if necessary.

Mrs. Jean V. Lansing, Albany Hospital, Albany, New York: In most instances of problem cases, the best way to handle the situation is strictly on the basis of the woman's financial position as to her ability to pay, the need for arrangements, assistance, etc. If, in the interview, she takes the stand that her former husband is responsible, we then inquire who her attorney is and immediately make direct contact with him in the presence of the woman to clarify whether there was any provision in the divorce proceedings concerning payment of medical bills. In most instances we find no provision is made; that the woman receives a certain amount of alimony and, other than that, the ex-husband is not obligated. At this point we are in good position to proceed directly with the woman concerning payment of her hospital bill. The same procedure is followed if a dependent child is being admitted.

There are times when an attorney does not come into play and the woman insists that her former husband has promised to pay medical bills. In such an instance we make direct contact with him by telephone in the presence of the woman to confirm his responsibility. If he does assume it, we have the telephone conversation witnessed. We impress upon him that he must come to the hospital to sign the necessary financial responsibility, arrange for payment, etc. If he does assume responsibility in telephone conversation, we prepare him for the approximate amount of the bill and ask whether he is in position to meet it or whether he needs to make arrangements. In either instance we immediately follow through to secure his written guarantee for payment. If we have an advance reservation, we usually are informed by the credit bureau of the fact that the woman is divorced, and, anticipating a problem, we make direct contact with her prior to her admission asking her to come to see us to discuss the finances. We then proceed as outlined.

Dr. Elliott Mendenhall, Dallas, Texas: When professional services are required by any member of a family where there is imminent divorce between the parents, it is important to fix the responsibility for the fee at the first visit. The trouble arises in cases where such intention of divorce is not known to the credit manager. In most cases of marital difficulty the physician will learn of it during his interview with the patient prior to examination. When this happens, the physician should tell the bookkeeper or credit manager immediately about the situation so the responsibility for the fee can be fixed at the patient's first visit. If the patient is already divorced, it is easy to fix the responsibility for the fees involved. The legal requirements may vary from state to state, but it is a safe rule to hold the adult who is seeking the services responsible for the fee for that service.

Mrs. Lois McIver, The Gaston Hospital, Dallas, Texas: The best method of handling hospital or medical bills involving divorce will vary with the facts of the individual case. The best advice is to see your lawyer, since every state has its own statutes and the courts have given the statutes varying interpretations.

As far as the wife's bill is concerned, the husband's liability will depend on whether the divorce has been granted or is merely pending. Generally, the husband's liability for his wife's necessities ceases on divorce, where the obligation for the necessity arose after the divorce.

The same is not necessarily true for the bills of minor children since, generally, the father's liability for a child's necessities continues regardless of divorce. This general rule may be changed by a number of factors such as the provisions in the divorce decree, etc.

But in matters of this nature, foresight is always better than hindsight, if properly exercised. In non-emergency cases, the interviewer should determine from the parent the marital status of the parents; if the parties are either separated or divorced, the wisest course would be to obtain the written agreement of the father to pay the medical bills of the child before any services are rendered. This is not always possible. But the father's agreement will be more readily given where he is concerned about the well-being of his child than after the child is discharged from the hospital.

Again, it should be emphasized that no attempt is made here to give legal advice. The rules vary with the facts and with the jurisdiction. Your lawyer should be consulted and a standard operating procedure devised with his help and guidance.

John A. Ward, Lovelace Clinic, Albuquerque, New Mexico: The method of handling hospital and medical bills involving a divorce in the family poses a serious problem from a collection standpoint. Generally it is best, if possible, to get the name and address of the attorney who handled the divorce proceedings. With this information, you can contact him by phone or letter, and he may be able to advise concerning the date of divorce decree and the disposition of their financial obligations. Quite often the divorce decree specifies in detail the obligations for which the wife and husband individually are to be responsible. It is best to deal with the lawyer direct, as I have found from experience that the word of the patient cannot always be relied on as to the effective date of the decree and the basis of settlement of obligations. Without this information you cannot intelligently discuss the account with the patient. Also, if they sense that you do not know all the facts of the divorce, each will inevitably pass the responsibility to the other. As a rule a wife is always responsible for any and all services rendered after the date of the divorce decree and you must look to her entirely for the payment of these services. Particularly this is true if the wife is awarded custody of the children and the husband is sending sufficient child-support money.

Newspapers and Publishers

QUESTION

Do current conditions warrant putting advance payment requirements on certain classified advertising such as positions wanted, business service, homes and furnishings for sale by individuals, etc.?

ANSWERS

Henry G. Baker, The Oklahoma Publishing Company, Oklahoma City, Oklahoma: For a number of years we have published the following in all issues of our paper as a part of our classified rate card: Advertisements under the following classifications are cash in advance: Personals, Carpentry and Repairing, Dressmaking and Millinery, Paperhanging and Painting, Miscellaneous Services, Situations Wanted, Home Laundries, Child Care, Wanted to Rent, Business Opportunities and Special Notices.

We also require cash in advance on Household Goods for Sale ads, when they are selling complete furnishings indicating they are moving. We are checking our real estate for sale, by individuals, with the idea in mind of requiring cash in advance on them. The classifications listed above are used by people who are usually not permanently situated and would rather not pay their advertising accounts, causing collection expense to exceed the cost of the ads. I would say cash in advance is necessary and it saves trouble.

A. W. Blieszner, The Pittsburgh Press, Pittsburgh, Pennsylvania: I would like to answer this question by asking a question. What logical reason can you possibly give an advertiser, with a good credit record and ability to pay, for insisting that he must pay cash in advance for some of his advertising just because it falls under a certain classification? Would it not be much like trying to explain to a good customer that you will gladly sell him the coat and vest on credit terms, but that you have a rule which requires he must pay cash for the trousers?

An advertiser is either entitled to credit for all his advertising, based on his credit reputation and ability to pay, or he is not entitled to credit privileges at all. If a newspaper gives its readers a special service by giving the unemployed a reduced rate on Positions Wanted ads to help them find a job at nominal expense, there is no reason why the advertiser should object to paying cash in advance to save billing costs.

If certain classifications are becoming troublesome from a collection standpoint, the remedy lies not in establishing a general rule which demands cash from everybody, but in better credit and collection controls on those advertisers who are causing the trouble. Have your authorizers scrutinize orders in those classifications more closely. Get more credit information on the larger charges and, if necessary, get a credit bureau report. Make your credit requirements on troublesome classifications higher. Lower your credit limits and, if necessary, reduce the terms on troublesome accounts to a weekly basis and insist upon payment according to your terms. We can make our jobs a bit easier by demanding cash on troublesome classifications, but after all, is it not a part of our job to help increase sales through the convenience of credit, rather than to drive business away by rescinding credit privileges?

Mrs. Daisy H. Dever, Greensboro News Company, Greensboro, North Carolina: On transit advertising the only classification that we require cash in advance for is Positions Wanted. This has always been our policy. I think current conditions warrant a tightening-up policy and watching more closely on certain other classifications such as business service, homes and furnishings for sale by individuals, etc. In order not to lose volume, we think credit should be allowed when and where justified.

H. E. Hull, The Detroit News, Detroit, Michigan: I do not believe placing specific types of classified advertising on a cash-in-advance basis is the answer to the present economic situation. We have always handled political, Situations Wanted, and certain types of

personal ads on a payment-in-advance arrangement, but the better method on the more risky classifications is a closer screening and a more thorough checking of the ability of the advertiser to pay prior to the time the ad appears in the paper. This means we are drawing more reports from the mercantile agencies, but we feel the additional expense is amply justified.

We are checking more carefully the multiple insertions of business card advertising, Household Goods for Sale, and what we term Wanted to Rent. We revamped our procedure recently, and the benefits are already apparent. I am satisfied our bad-debt loss would have been less this year had this present program been adopted a year ago when the unemployment situation in Detroit created a problem not only with those directly affected, but with others who are dependent upon factory employees to pay their bills.

A. R. Peterman, Cleveland Plain Dealer, Cleveland, Ohio: These classifications are always a controversial subject in either bad times or good. Some papers have always had this class of advertising on a cash basis. It is our policy to charge these classifications, within reason. For instance, we require they be listed in the telephone directory or have had previous charges which have been paid for. They are billed strictly weekly. We think if our columns can find a job for our readers without too much inconvenience we have thereby created a friend and a new subscriber to our paper. Most people accept a newspaper as a public servant. We try to make it easy for them to have access to our columns. This is particularly true where you have keen competition in your city. The collection procedures on these classifications are flexible enough that if times get a little rough you can move your cut-off dates. Right now on situations and business service ads we have set our cut-off dates up to two weeks' advertising. We have found through years of experience that charging within reason the above classifications does create good will and revenue.

Frank A. Schnell, Olean Times Herald, Olean, New York: This will depend on local conditions in the particular community in which you are doing business. Current conditions are not the same in every locality and the degrees of employment and unemployment vary from one section to another. Because of the movability of persons using this classification, we at the *Times Herald* always have had a policy of cash with order for Positions Wanted and Business Service for individuals residing outside the trading area, in rooming houses, in hotels, or in trailer camps. We accept charge accounts from those who live within the trading area, who have a telephone or who have established their credit with us. At the present time we see no reason for changing this procedure.

Royce Sehnert, The Wichita Eagle, Wichita, Kansas: I do not believe current conditions have much to do with cash requirements on certain classifications of advertising. It is a matter of policy, with the geographic location playing a major role. We have always required cash in advance for Situations Wanted ads. We solicit charge accounts in the Business Service classification. It is one of our larger and more profitable classifications. We believe it has terrific power as a reader interest builder. The continuity of ads such as Homes for Sale or Furnishings for Sale usually gives a clue for consideration or judgment; for most ads will have a give-away word or phrase. For example, "Transferred, leaving town. Six complete rooms of furniture. Illness." Remember, cash with copy ads can be treacherous and dangerous. You may be waving a red flag in front of a potential advertiser, or throwing several thousands of dollars' worth of profitable business out the window annually in order to save a few insignificant losses.

G. W. Sites, Los Angeles Times, Los Angeles, California: Bad debts on transient classified advertising, accepted without credit advice to substantiate the charge, can be controlled only by knowledge of the credit risk of certain classifications. If management is concerned about the percentage of write-off, it may easily be lowered by placing certain classifications such as Situations Wanted, Theatricals, Oil and Mining, Introduction Clubs, etc., on a cash-in-advance basis. Certain other risky classifications such as Rooms for Rent, Business Opportunities, Rentals Wanted, and Transportation, may easily be curtailed as to linage. For example, permit only a certain number of lines without credit authority. We have followed the above mentioned restrictions for years and it is my opinion such restrictions are definitely justified by current conditions. ★★★

Local Association Activities

Dallas, Texas

At the annual meeting of the Dallas Retail Credit Managers Association, Dallas, Texas, the following officers and directors were elected: President, Wilson W. Whatley, Hunt Grocery Company; First Vice President, J. E. Willis, Jr., Arthur A. Everts Company; Second Vice President, John W. Stovall, Republic National Bank; Treasurer, William F. Cofer, Jr., Neiman-Marcus; Secretary, J. E. R. Chilton, Jr., Merchants Retail Credit Association; and Assistant Secretary, Chellie Sue Bragg, Merchants Retail Credit Association. Directors: G. G. Alexander, Linz Jewelers; W. H. Bailey, Creditors Service Bureau; Lilas Barker, Dr. Jos H. McCracken, Jr.; E. J. Herrmann, The Texas Company; Dee Jestis, Mister Buster's; Thayer L. McDaniel, Cabell's; E. H. Miller, Oak Cliff Bank & Trust Company; Howard Nation, Sanger Brothers; Jack Orr, Jr., American Transfer & Storage Co.; W. O. Perlick, Texas Bank & Trust Co.; Cecil Rosamond, Dallas Medical & Surgical Clinic; and A. F. Seiferth, Dreyfuss & Sons.

Washington, D. C.

The Retail Credit Association of the District of Columbia, Washington, D. C., has elected the following officers and directors: President, Charles W. Prettyman, The Credit Bureau; Vice President, Donald G. Althaus, Woodward & Lothrop; Treasurer, Madeline B. Sellers, S. Kann Sons Company; and Secretary, John K. Althaus, The Credit Bureau. Directors: Chester A. Carter, Woodward & Lothrop; Dorothy Conway, The Hecht Company; John W. Harper, Esso-Standard Oil Company; Margaret Manning, Lansburgh & Bro.; John P. Maurer, Julius Garfinckel & Company; Robert Morris, Raleigh Haberdasher; E. R. Bainbridge, Lansburgh's; Donald O. Helsel, S. Kann Sons Company; Thomas K. Malone, Jr., Old Dominion Bank; William P. Norwood; James Walden, Second National Bank; Helen E. Beiswanger, Pasternak's; Thomas W. Carroll, The Credit Bureau; John J. Gorman, Riggs National Bank; Francie E. Rowe, Zirkin's; Walter N. Talkes, The Hecht Company; and Jack Warner, The Hechinger Company.

Abilene, Texas

The newly elected officers and directors of the Abilene Retail Credit Managers Association, Abilene, Texas, for 1954-1955, are: President, Milton A. Bass, Nick Crain Drugs; First Vice President, R. E. Strain, Merchants Budget Loan Company; Second Vice President, H. V. Richards, Ernest Grissoms Department Store; Secretary, H. S. Strain, Allied Credit Company; Assistant Secretary, Ruby Johnson, Lintz Department Store; and Treasurer, Mrs. C. R. Gaskill, Minter Dry Goods Store. Directors: George Ingle, Jr., Consumer Credit Co.; Jack Goulding, Goulding Jewelers; Mrs. Velma Greenwood, S & Q Clothiers; Juanita Daniels, Marcus Women's Apparel; W. F. Riley, Modern Service Co.; Walter J. Richter, Main Finance Co.; R. M. Smith, Lone Star Gas Co.; and Joe D. Price, Westex Finance Co.

Ardmore, Oklahoma

The Ardmore Credit Association, Ardmore, Oklahoma, elected the following officers and directors for 1954-1955: President, T. O. Mantooth, Retail Credit Company; Vice President, Joe Clarke, Firestone Stores; Secretary and Treasurer, Leota Sims, Montgomery Ward; and Recording Secretary, Virginia Stanley, Daubes'. Directors: John Pearson, Ardmore Milling Company; Bob Fraley, Boy Fraley Lumber Company; Walter Reed, Daubes'; and Earl Davis, Morris Plan.

Jacksonville, Florida

The Retail Credit Men's Association, Jacksonville, Florida, has elected the following officers and directors for 1954-1955: President, Galen K. Longenecker, Furchgott's; Vice President, Edward W. Rogers, Mather Furniture; Secretary-Treasurer, H. Cyril Sedding, Rhode's Furniture Company; and Executive Vice President and Manager, Charles E. Moorman, The Credit Bureau. Directors: Walter F. Koch, Florida Tent and Awning Company; Charles L. Wells, Charles E. Wells, Jewelers; Rudy Moss, Young Men's Shop; Oliver A. Jenkins, Duval Jewelry; H. Coburn Hendrix, Cohen Brothers; Joseph H. Riggs, Florida National Bank; and E. L. Witt, Purcell's.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

JANUARY brings its special problems for the retail credit executive. One of these is *collections.* It is more than likely that during December collection routines have been wholly or partially sidetracked to allow concentration on maintenance of adequate credit service to customers. While this is not an ideal state of affairs it is nevertheless a realistic one. All the more reason for intensive collection work now that the pressure is lessened.

There is little new that I, or anyone else, can say about collections. It is the familiar story of persistent and consistent pressure intelligently applied until either the bill is paid or it must be regarded as a credit markdown. What is said in this column is well known to you; all we can hope to do is to remind you of certain fundamentals and perhaps give you a fresh slant on your problems.

Every account now showing an unpaid balance, any part of which is six months or more past due, should be given the closest scrutiny. It should be studied for any possibility of a successful *personal* appeal being made to bring about payment. The *impersonal* approach has been used without producing results. Now is the time for some particular personalized appeal that will unlock the doors of stubborn resistance or make it abundantly clear that the account is uncollectible by normal procedures.

In the latter event, no time should be lost in turning the account over to the Collection Department of your Credit Bureau, if one exists, or to an approved collection agency. The intervention of a third party into the matter casts a different light on it and often jolts the debtor into full realization of its seriousness.

This recommended study of seriously past-due accounts will prove rewarding in other ways too. An undue number of such might indicate that insufficient follow-up work was done on them in the early stages of past-dueness. From that revelation should come the resolve to maintain a steady collection pace at the time when collection possibilities are considerably greater. It is easy to let collections "slide" but to do so is costly and dangerous.

Also, the study might show that insufficient information was obtained at the time the account was opened or full use was not taken of the credit bureau in determining the eligibility of the applicant for credit. That, too, might result in a wise determination to make more complete use of the facilities of the credit bureau and to *know the customer better* at the beginning of the credit relationship.

One weakness of many retail stores and firms is in not stressing strongly enough at the opening of a new account the terms on which the credit accommodation is based and reiterating those terms whenever possible. Too many customers have only the vaguest ideas of the terms of the various types of accounts and consequently they are unsure of just what is expected of them.

The majority of credit customers want to make their payments as agreed, as they recognize the value of a good credit record. The fault often lies with the store or firm that does not take advantage of this human tendency by insisting on prompt payments.

The worrisome problems of January can be turned into opportunities for better credit and collection procedures. From our mistakes can come valuable lessons in improvement of future operations, for, remember this, the collection problems of midyear are being *created today.*

All our illustrations this month are collection letters, in keeping with the subject of the commentary. They are taken, with some adaptation, from past issues of the N.R.C.A. *Better Letters Service.* We welcome requests for more information about this Service.

This Month's Illustrations →

Illustration No. 1. Here the appeal is to the value of protecting one's ability to command the helpfulness and convenience of credit facilities. And the only way to do that is by prompt payment of obligations. While the account is considered to be past due, the thought is expressed that the firm still has confidence in the customer's willingness and ability to pay.

Illustration No. 2. Sometimes it becomes necessary to ask a customer not to make further credit purchases until the account is brought up to date. This somewhat drastic step is often just what is needed to make the customer realize that something must be done about the account. This collection letter is included for use in such a situation.

Illustration No. 3. This might be considered too mild a letter for instalment accounts which are three payments past due. However, it was written with the customer of responsibility in mind, one who usually pays well but who is in arrears now due to unforeseen circumstances. Perhaps some collection supervisors would prefer to send it after two or even one payment missed. All that is necessary in that case is a slight change in the wording.

Illustration No. 4. Another instalment account collection letter. It is stronger in tone than *Illustration No. 3.* Yet, there is still a degree of confidence shown in the customer.

Reading this publication carefully and regularly will contribute to your success as a Credit Executive.

1

January 3, 1955

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

Somewhere I remember reading that you don't miss a thing until it is taken away from you.

That certainly is true of a great many things in life, and particularly is it true of credit.

Credit is a mighty fine convenience to be able to command. It makes a person feel good to be trusted. When credit has to be refused because of slow payment on other accounts...that is when the value of good credit becomes fully realized.

Your account with us has reached the danger point. We thought you should know that because we are sure you will want to do something about it right away.

Please come in and talk it over.

Sincerely yours,

MANAGER OF CREDIT SALES

Amount due now $_______

2

January 3, 1955

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

You have received several collection notices and letters from us concerning your account to which you have not responded as we hoped you would.

Now, because of our rather rigid credit requirements, and the necessity of keeping our accounts on an up-to-date basis, we must regretfully tell you that your charge account has been temporarily closed.

Naturally, we are sorry about this because we know you will miss the ease and convenience of credit facilities.

We suggest that you come in before you make any further credit purchases and talk the matter over. Perhaps between us we can work out a satisfactory arrangement that will permit resumption of credit service to you.

Sincerely yours,

MANAGER OF CREDIT SALES

Amount due now $_______

3

January 3, 1955

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

A good credit standing is built up by many satisfactory credit transactions. It can be hurt by neglect of one.

Your account with us, which you agreed to pay at the rate of $00.00 per month, is now three payments in arrears. Reminders have been sent you, but so far, we have had no response.

The great value of convenient payment plans to the customer is that they permit the immediate use of merchandise, while paying out of current income. However, when payments are not made on the due date, it is more difficult later to catch up.

You depend on this store for good, interested service, and sound merchandise values. We are glad you do. Your part of the agreement is to pay each month the amount agreed upon. We depend on you for that.

Please send us $00.00 today. We are counting on you.

Sincerely yours,

MANAGER OF CREDIT SALES

4

January 3, 1955

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

It is because we still have faith in you that this letter is written. It concerns your instalment account with us, which as you must realize, is very much in arrears.

Reminders and notices have been mailed to you without bringing the results we confidently expected. Yet, we believe you are a person of responsibility and want to be straightforward in all your business dealings.

Immediate action on your part in bringing the account up-to-date will avoid the legal action we shall be forced to start unless you cooperate with us.

You can justify our faith in you by making the necessary payment today. Tomorrow may be too late.

Sincerely yours,

MANAGER OF CREDIT SALES

Amount due now $_______

Items of Interest From the Nation's Capital

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

"Schemes to Entice" is the characterization by Federal Trade Commission of efforts to obtain information from past-due debtors by Mitchell S. Mohr and Sydney Floersheim of Los Angeles, Calif. Complaint issued November 16, 1954, charges respondents with mailing forms which are "unfair and deceptive" in violation of the FTC Act. The release states that the forms objected to are "quite official looking"; that under an imposing picture of an American eagle they bear such names as "Claims Office," "Reverification Office," or "United States Credit Control Bureau." "This representation is enhanced," the release adds, by the fact that the forms are mailed from Washington.

In other instances a questionnaire is sent out from Richmond, Va., under the heading "Cigarette and Tobacco Research Bureau," purporting to enquire "what brand of cigarettes is being smoked by employed people during working hours," and promises to send addressee without charge "your favorite brand of cigarette or tobacco for filling out and returning the form." A similar form was mailed out from Oklahoma City under the heading "National Gasoline Research Bureau" with the request that the questionnaire be filled out so the bureau can "determine what brand of gasoline is used by employed people driving to and from their place of employment."

According to the FTC complaint, the forms "set out questions which, if answered, will provide information which is considered to be of value in the collection of accounts owed or alleged to be owed by the addressee." The FTC says use of these forms "coupled with the picturization of an eagle similar in design to that used on the seal of the United States, and the form and phraseology of the questions . . . falsely represent that the request for information is made by a United States government agency." Neither the cigarette nor tobacco research bureau is in fact engaged in research of the type claimed, the complaint says. Also challenged is the insertion in some of the forms of amounts of money stated to be "collectible" or "due," which give the implication that it is money due and owing to the addressee. Actually the amount inserted is the amount allegedly owed by the addressee. The FTC release notes that the form is sold to collection agencies, merchants and others.

Balance the Budget or Else.—This seems to be the battle cry of Senator Harry F. Byrd, Democrat of Virginia. In the latest of his many statements on the Federal Budget, released December 7, he says:

"I regard Secretary Humphrey as one of the ablest men who have ever guided the Treasury, but I am very much disappointed in his statement that there is no prospect of balancing the budget for the fiscal year beginning July 1, 1955. This means we will then start the 23rd deficit year in the past 26. It is time that the Administration and the Congress face up to the reality of our fiscal situation. Since the deficit spending began we have increased the federal debt from $16 billion to approximately $280 billion.

"No prospect is now held out that the budget will be brought into balance this year or next. We are enjoying the greatest prosperity in our history. We are not engaged in war. If we cannot balance the budget now, I ask when can we balance it? During the period of this deficit spending we have accumulated astronomical debt. Our children and future generations must pay the interest, and some day they will have to pay the principal. Meanwhile, deficit spending has been the main factor in reducing the purchasing power of the American dollar from 100 cents in 1942 to 52 cents today.

"A reduction of 7 per cent in government spending this year would place our financial affairs on a pay-as-you-go basis without increasing taxes. Few will deny," said this able leader in the next Democratic-controlled Congress, "that there is opportunity for retrenchment by the elimination of waste and extravagance in every single activity of the government. If we continue to play Santa Claus . . . we can expect nothing but collapse of our currency with all of its terrible consequences."

More on the Interstate or Federal Control of Bogus Checks. A protective check-writing device company has estimated that bad checks passed in a single year —in these modern times—total as much as $600,000,000, and asserts that department stores are most victimized.

Though essentially a local problem, what is the basis for remedial action in the Federal field? The National Stolen Property Act, 18 USCA 413, provides ". . . whoever with unlawful intent shall transport or cause to be transported in interstate . . . commerce any falsely made, forged, altered, or counterfeited securities (defined to include checks) . . . shall be punished," etc.

A lower court decision held that where the defendant had cashed two forged checks in one state drawn on a bank in another state, his objective was attained when he cashed the checks and what happened to them later was of no consequence to him or to his plan. In U. S. v. Sheridan, 329 U. S. 379, 1946, the Supreme Court rejected this idea, holding that one who forged checks on a Missouri bank and procured cash and goods on them in Michigan, "caused" them to be transported in interstate commerce contrary to the statute.

The court noted also that the statute "contemplated coming to the aid of the states in detecting and punishing criminals whose offenses are complete under state law, but who utilized the channels of interstate commerce to make a successful getaway. . . . *Notoriously the crime done once becomes habitual. And forgers are notoriously itinerant.* Drawing the check upon an out-of-state bank, knowing it must be sent there for presentation, is an obviously facile way to delay and often to defeat apprehension, conviction and restoration of the ill-gotten gain. . . ." (Emphasis supplied). ★★★

comparative COLLECTION PERCENTAGES

November 1954 vs. November 1953

DISTRICT and CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1954			1953			1954			1953			1954			1953			1954			1953		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Portland, Me.	—	57.7	—	—	43.1	—	—	16.4	—	—	15.4	—	—	—	—	—	—	—	—	—	—	—	—	—
1 Providence, R. I.	51.3	54.2	48.8	50.0	51.9	48.9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	61.3	66.9	61.6	64.7	67.1	62.2	30.5	32.7	28.2	25.4	28.7	22.1	—	69.0	—	—	63.0	—	—	50.1	—	—	49.0	—
Worcester, Mass.	—	47.6	—	—	44.8	—	—	23.2	—	—	21.4	—	55.9	57.8	54.0	52.3	57.6	47.0	—	—	—	—	—	—
2 New York, N. Y.	47.0	57.8	34.4	47.8	57.8	26.8	13.4	24.3	11.1	14.9	23.3	13.6	47.9	60.2	42.2	43.7	54.7	41.5	50.0	51.5	48.5	48.9	51.9	46.0
3 Birmingham, Ala.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cincinnati, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cleveland, Ohio	51.3	59.6	44.3	48.5	58.5	40.9	19.2	25.0	11.9	19.1	23.2	12.2	51.0	55.9	45.1	46.5	53.0	39.0	72.0	94.8	50.2	70.7	88.8	48.3
Louisville, Ky.	49.4	54.5	43.4	51.6	62.0	45.9	18.2	21.3	15.8	16.4	19.1	14.9	41.4	46.9	36.0	40.5	47.1	34.0	46.4	58.0	41.4	46.5	60.3	40.4
5 Milwaukee, Wis.	59.4	60.3	51.3	59.1	60.3	53.1	14.8	15.2	14.4	16.1	16.3	15.8	55.4	62.2	48.6	49.3	50.1	48.5	53.0	63.0	43.0	53.7	62.4	45.0
Toledo, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Youngstown, Ohio	—	39.0	—	—	45.8	—	—	13.9	—	—	15.0	—	—	—	—	—	—	—	—	75.0	—	—	—	—
Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6 Minneapolis, Minn.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Omaha, Neb.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 Kansas City, Mo.	49.4	61.2	46.2	52.4	56.6	40.1	13.2	15.7	6.1	12.4	13.1	8.2	61.0	64.7	48.1	57.3	64.1	43.5	—	—	—	—	—	—
St. Louis, Mo.	58.9	60.5	58.3	59.3	62.6	56.3	20.9	21.9	19.8	20.3	23.1	16.5	46.4	55.8	44.5	48.9	51.1	46.7	49.0	54.1	45.4	48.1	55.5	42.0
8 Dallas, Texas	54.2	63.1	39.0	50.6	54.6	45.0	12.0	14.5	9.5	13.2	16.0	10.4	50.1	58.8	42.7	52.1	54.5	39.0	52.9	59.2	45.6	52.3	56.7	45.7
Houston, Texas	—	45.0	—	—	44.1	—	—	—	—	—	—	—	51.2	56.0	46.3	49.1	51.0	47.2	46.5	46.7	46.3	46.7	47.2	46.1
9 Denver, Colo.	51.8	54.9	43.9	50.0	55.8	46.2	17.2	43.0	15.1	16.1	41.3	13.1	49.4	54.9	43.9	48.1	50.0	46.2	49.4	54.9	43.9	48.1	50.0	46.2
Salt Lake City, Utah	62.3	65.9	58.2	56.6	63.7	53.0	20.1	25.1	15.3	20.3	26.9	17.0	—	—	—	—	—	—	53.1	52.2	52.0	50.7	52.0	49.5
10 Spokane, Wash.	—	55.3	—	—	55.0	—	—	13.3	—	—	14.6	—	—	—	—	—	—	—	—	54.6	—	—	49.6	—
Los Angeles, Calif.	59.7	63.5	49.0	59.8	65.8	45.7	—	—	—	—	—	—	—	—	—	—	—	—	51.8	81.0	45.0	50.0	71.2	43.5
Oakland, Calif.	64.5	66.7	56.3	58.5	62.5	54.7	16.3	19.9	13.5	15.6	17.2	13.6	54.6	57.8	51.4	58.1	65.1	51.1	—	51.3	—	—	52.3	—
11 Santa Barbara, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
San Francisco, Calif.	56.7	67.5	53.3	51.9	55.1	47.6	16.6	18.1	13.9	16.8	19.2	14.0	46.4	50.2	45.1	43.2	46.2	41.9	46.7	53.2	42.1	47.0	50.0	43.0
San Jose, Calif.	57.6	69.8	53.7	53.6	68.5	53.5	18.7	22.1	15.4	17.7	23.1	12.3	60.0	63.0	55.9	62.2	65.7	58.7	—	—	—	—	—	—
Baltimore, Md.	50.1	57.2	42.2	48.9	54.1	43.4	18.3	25.7	14.2	18.8	28.0	13.0	43.8	58.2	35.9	39.4	47.7	34.6	44.6	53.5	35.7	43.3	50.7	35.9
12 Philadelphia, Pa.	41.8	48.4	36.1	40.5	44.1	35.9	9.9	11.4	9.0	10.6	12.0	9.8	44.6	49.2	36.4	44.8	50.2	40.2	—	—	—	—	—	—
Washington, D. C.	48.5	54.9	45.0	44.1	51.9	38.4	16.1	20.6	13.3	14.8	21.2	11.1	—	—	—	—	—	—	—	—	—	—	—	—

• Figures for October.

Consumer Credit for October

Consumer instalment credit outstanding amounted to an estimated 21,952 million dollars at the end of October, 17 million above the preceding month and 186 million above a year earlier. The October rise compares with increases of 185 and 521 million in the same month of 1953 and 1952, respectively. Automobile instalment paper outstanding decreased 25 million dollars during the month and repair and modernization loans decreased 5 millon, while other consumer goods paper and personal loans increased 37 million and 10 million, respectively. New extensions of instalment credit amounted to an estimated 2,454 million dollars during October, slightly above the preceding month's volume. An increase in credit extended on consumer goods other than automobiles more than offset declines in the other components. Repayments of instalment credit increased 30 million dollars to an estimated monthly total of 2,437 million. Total short- and intermediate-term consumer credit outstanding at the end of October, estimated at 28,975 million dollars, was 119 million above a month ago and 375 million above a year ago.—Federal Reserve Board.

Department Store Credit for October

Instalment accounts outstanding at department stores increased 3 per cent during October, and at the end of the month were 4 per cent above a year earlier. The instalment collection ratio, estimated at 14 per cent, was 1 point above September and the same as October last year. An increase in charge accounts, largely seasonal in nature, brought balances outstanding at the end of October to a level 6 per cent above a month ago and 2 per cent above a year ago. Collections on charge accounts amounted to 47 per cent of first-of-month balances outstanding, 1 point above September but 1 point below a year ago. Sales of all types increased during the month—cash sales by 8 per cent, charge-account sales by 7 per cent, and instalment sales by 16 per cent. Compared with a year ago, cash and charge-account sales were down 4 per cent and 1 per cent, respectively, while instalment sales were up 4 per cent.—Federal Reserve Board.

Another Milestone in Credit Education

CARL B. FLEMINGTON, F.C.I., F.C.I.S., *Secretary-Manager,* Credit Bureau of Greater Toronto

WE RETAILERS have, at varying intervals in the past, extolled the virtues of the Canadian Credit Institute, in these and other columns, but perhaps now the Institute takes on a new meaning to us and a new challenge in that we, representing the retail credit granting fraternity in Canada, have given official recognition to it and that for which it stands.

The Institute needs no introduction to our readers, as long ago it made its impression on credit personnel across Canada and has since 1928 been the medium of credit education within the profession. It has sponsored courses in credit, leading to the degrees of A.C.I. and M.C.I. through the University of Toronto Extension Division, and has been instrumental in raising the standards of credit granting generally. The Institute now boasts 532 alumni, those of her sons and daughters who have obtained the senior degree in addition to those having completed the junior course only and receiving the degree of A.C.I.; and the intensified interest manifested year by year in its courses is sufficient acknowledgment of the values to be gained through study.

Over a quarter of a century ago, Parliament passed a special act, incorporating the Canadian Credit Institute as an educational organization with the power to grant diplomas to students. This date was the beginning of a new chapter in credit work, marked by its evolution from an occupation into a profession and the promotion of the credit manager to a position of key importance in business and industry.

To those connected with the Canadian Credit Men's Trust Association, Limited, at the time of the Institute's inception and to Dr. W. J. Dunlop, of the University of Toronto (now Minister of Education for Ontario), who pioneered the project, the credit profession, both wholesale and retail, owes a deep debt of gratitude. Theirs was the vision of what might be and we rejoice that they evidenced justification of their faith. They are our benefactors. Much thought and planning was necessary in order to provide a well-rounded education in credit. Such subjects as Accounting, Commercial Law, Credits and Collections were natural selections for the curriculum, but to these were added Business English, Economics, and Psychology. An optional subject was also provided which permitted students to choose between Salesmanship and Retail Trade.

These courses were originally arranged to cover a minimum period of two years, one year for the Junior (A.C.I.) and one year in which to qualify for the Senior degree (M.C.I.), although it has been possible for students to complete the courses over a period of years with a minimum of three subjects per year. Provision was also made for the awarding of an honorary degree of F.C.I. In order to merit diplomas, in either the Junior or the Senior course, it was necessary also that a student have practical experience in credit work of one and three years, respectively.

The total number of students who have enrolled in the Institute courses since inception is well in excess of 4,000 with an average yearly enrollment in recent years of upward of 300. The greater number of these are, of course, undergraduates, having completed only the Junior course or partially finished the Senior course. Many holders of Institute degrees have gained rapid promotion in their chosen field and others have been promoted from credit work to important positions in sales, finance, and management. It is interesting to note that the Canadian Credit Institute pioneered in providing lecture and correspondence courses for business personnel.

Perhaps we, in the retail field, can partially provide the answer, because this Institute is now ours too. At the Annual Meeting, held in Winnipeg in March, 1954, both the Associated Credit Bureaus of Canada and the Credit Granters' Association of Canada, by unanimous vote of their respective directors, gave official recognition to the Canadian Credit Institute as our medium of credit education and whereas, heretofore, its courses were designated more specifically along wholesale lines, there is now to be a complete revision so as to provide a basis of tuition whereby the curriculum will be adapted to serve both the wholesale and retail credit fields. The bulletins will be so constructed as to deal equally with both types of credit granting and the two courses now existing will be molded into one, with a single degree. It will be so designed that a period of three years will be required for its completion and training will be provided all students in both wholesale and retail credit procedure.

Purpose of New Combined Courses

This departure on the part of the Canadian Credit Institute can mean much to the credit profession as a whole, as that which affects the wholesaler is of interest to the retail outlets, while that which regulates the retail is of the utmost importance to its source of supply, the wholesaler. We are here to serve one another and to act in the best interests of sound credit granting, whether it be to the retailer or to the ultimate consumer. This proposed course will also permit of change-over on the part of credit personnel from wholesale to retail or vice versa, if it be to their advantage, as they will be equally versed in both operations.

The Institute Council and Advisory Board will be composed of representatives from the University of Toronto and both fields of credit and the degree awarded upon completion of the newly prescribed course will denote proficiency in credit generally. It is hoped that the

"Wanted"

(Beginning on page 15.)

check to suggest a charge account. Some of our best charge customers have started this way. People are flattered when you suggest to them that they should have a charge account with your store.

A satisfied charge customer is one of your best salesmen. They can sell their friends toward opening a charge account in your store much more easily than you can sell them through advertising. Some stores have found it a good policy to send a little present to a charge customer who suggests or sells her friend a charge account in their store. A "thank you" letter is always in order. Some of these people hesitate to bring a friend in but if you write a nice friendly letter to a good customer telling her how pleasant it is to do business with her and invite her to bring her friends in to enjoy the same service, she is pleased and many times it adds several charge accounts with good people we might otherwise miss.

A large percentage of inactive charge accounts that finally land in the "paid-up graveyard" get there because of our neglect. When a charge customer fails to use her account for 30 days, we send her a statement with a real chummy word about missing the opportunity of serving her. If this does not work, we write a letter telling her how much her business means to us and asking if anything has happened to cause her to stop charging and if so, how we may correct it. We have found that people like this attention and respond favorably. Recently a customer made a purchase of over $600.00 in electrical merchandise in our store and told the manager of our electrical department to please tell Wade McCargo so he would stop writing those letters to him about not having his account active.

You could probably tell me many more plans, such as clerk solicitation, professional solicitation, etc., but I mentioned only a few all of us know but so many fail to use. What does all this add up to? It adds up to more selling.

Business is good and do not let anybody tell you otherwise. There are just more people out looking for it than in recent years. A sewing machine sales manager was crying "crocodile tears" telling me how bad business was. I asked him how much he was behind his best year.

He answered "5 per cent." I then asked him how long a sewing machine lasted. He said the average one was traded in about each ten to twelve years. I then reminded him he had been selling sewing machines at a record high since the war closed and he also had at least 12 new competitors in the field he did not have a few years ago. This man's trouble was that he was not converted from an "order taker" to a salesman. The business is out there, but we must work harder to get it than in recent years. This applies to all of us.

When we do a good job of selling we are active participants in the greatest Free Enterprise system the world has ever known. We are a living, vital force in keeping America strong financially and continuing to make us the best dressed, best equipped people on the face of the earth and helping us to enjoy more of the better things of life than any other people. To do this, it is up to us in retailing to *sell* more. Modern fixtures, layouts and merchandising methods are all grand tools but salesmen have got to do the job of selling. You in credit management have the most wonderful opportunity you have ever had to do a job of credit selling. Insofar as you meet this challenge we will see America forge ahead. More people are able to pay their bills than ever before in our history. The average weekly wage of industrial workers in 1940 was $25.00 a week. It is now over $60.00 a week and shows signs of further increasing. People who formerly were bad credit risks are now good. Let us go after them and become a nation of salesmen. We must meet the challenge of "Credit Selling." ★★★

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new curriculum will be prepared and the course of study made available for the 1955-56 season opening in October, 1955. In the interval, there is much to be done in reconstructing, re-editing and rearranging the bulletins covering the various subjects, a work which demands unselfish and untiring effort on the part of those elected to serve.

Within our retail organization, I feel that this is a forward step. We have been received by the original sponsors of the Institute on a basis of equality in administration and counsel. We have, by far, the greater potential in student body and it remains with us to encourage credit personnel in all classifications of retail business to give earnest consideration to the benefits to be gained through enrollment in the Institute course and to take an active part in local chapters of the Institute, where they exist. In this way we can best serve those responsible for the sane extension of credit in our Canadian economy. Theory and practice go hand in hand to complete a well-balanced program relative to the safeguarding of our accounts receivable.

The member bureaus of the Associated Credit Bureaus of Canada, the officers and membership of the Credit Granters' Association of Canada, salute the Canadian Credit Institute and assure them of our sincere interest and loyalty in all matters pertaining to our common good and the advancement of credit granting throughout Canada. May I ask all bureau managers and credit granters in the retail field to publicize wherever possible the facilities now available through the Canadian Credit Institute and to emphasize the advantages of education in credit. ★★★

Editorial COMMENT

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Retail Credit Education Week

RETAIL CREDIT EDUCATION WEEK will be held during April 24 to 30, 1955. "Meet Your Obligations Sunday" will open the observance on April 24. Local retail credit associations and credit bureaus are urged to make plans now for participation in this continent-wide recognition of the important role that consumer credit plays in the economy. Judging by the enthusiastic reports received at the National Office on last year's initial observance of Retail Credit Education Week and the plans already being made in many communities for greater activity this year, we are confident that the event will be an outstanding one.

The purpose of Retail Credit Education Week is threefold:

1. To educate the public in the proper use of credit as a relation of mutual trust, and to the value of establishing and maintaining good credit records.
2. To encourage the prompt payment of all credit obligations.
3. To urge consumers to guard their credit as a sacred trust.

Appointment of a Retail Credit Education Week Committee should be made immediately where it has not already been done. This Committee should prepare a detailed program and present it to the association membership for approval. A financial goal adequate to accomplish the objectives should be set. Funds should then be solicited from all retail stores, firms and individuals in the community doing a credit business. Banks and wholesale firms should also be urged to participate. Active interest and cooperation are certain when there is financial participation. When soliciting funds the Committee should emphasize that when local credit conditions are improved and people generally made conscious of the fact that credit obligations, of whatever nature, are sacred trust, the entire community benefits greatly.

We shall publish articles in The CREDIT WORLD in February, March, and April, giving more details about Retail Credit Education Week. Following last year's procedure, portfolios of material will be made available to local committee chairmen. Ask us for one as soon as possible to guide us in estimating probable demand. Included in the portfolio will be our "Pay Promptly" newspaper advertising suggestions.

We are proud to announce that a new motion picture, entitled "The Good Things of Life on Credit," is now in production at the motion picture studios of the University of Oklahoma. The film will be ready early in March. It will be a powerful additional tool to educate the consumer in the desirability of using credit wisely and paying bills promptly. We strongly recommend its use during Retail Credit Education Week especially. For details about the film please write to the National Office.

Your efforts are earnestly invited to help in making Retail Credit Education Week influential in telling the consumer about the manifold advantages of using credit to acquire more of the good things of life and selling the idea of prompt payment of all obligations in order to build a good credit record.

L. S. Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

THE EMBLEM OF NATIONAL RETAIL CREDIT ASSOCIATION FOUNDED 1912 SOUND CREDIT

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FEBRUARY, 1955

The Magic City

THE FIRST white settler settled in Jones County, Alabama, in 1813 and the settlement became the city of Birmingham. The fabulous growth of this settlement into a great city resulted in Birmingham's being known as The Magic City. Today, Birmingham is the industrial center of the Southeast and is one of the world's largest steel producing centers. It is the only place in the world where coal, iron ore and limestone, the three essentials for making steel, are found in an abundance.

Adjoining Birmingham are several small municipalities which give the community a population of some 600,000. There are 80 schools, 670 churches and 13 colleges and universities. The residential sections are some of the most beautiful to be found anywhere. Many of them are located on picturesque mountain sites that make them uniquely beautiful.

For recreation, there are numerous public golf courses, tennis courts and several beautiful country clubs plus a Southern Association Baseball Club and a Civic Symphony orchestra for music lovers. The medical center, in which the Medical College of the University of Alabama is located, is one of the finest in the nation. Birmingham is a wonderful city but the nicest thing that can be said about it is that it is just a fine place to live.

Birmingham is the home of the Associated Retail Credit Managers, a member of the National Retail Credit Association since 1917. The Association meets weekly. W. V. Trammell, Secretary-Treasurer, has served in that capacity for 38 years.

CREDIT WORLD

ONLY PUBLICATION SERVING THE ENTIRE FIELD OF RETAIL CREDIT